



Daily Report—

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Daily Report China

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CONTENTS

30 June 1988

INTERNATIONAL AFFAIRS

General

Foreign Ministry Gives Weekly News Briefing	1
On Soviet Reform, Afghanistan	1
'High-Ranking' Group To Visit DPRK	1
Shultz To Visit in July	1
Guinean President to Visit	1
Other Visits Announced	1
Qian Qichen, UN Group Discuss Cambodia	1
Li Guixian Meets IMF Asian Delegation	2
Conference on Disabled Children Opens	2
'Commentary' on 'Difficulties' at Cairo Talks [RENMIN RIBAO 28 Jun]	2

United States & Canada

U.S. Communist Party Delegation Visits Shanghai	3
Kang Keqing Meets U.S. Special Education Group	3
SHIJIE ZHISHI Views U.S. Economy [16 Jun]	3
Drop in U.S. Foreign Trade Deficit Viewed [RENMIN RIBAO 24 Jun]	5
'Roundup' on Democratic Unity Before Convention	6
U.S. Insists on Asymmetry in Arms Cuts	7
U.S., Egypt Pursue Thwarted Smuggling Plot	7

Soviet Union

Further Reportage on Soviet Party Conference	8
New State Organ Proposed	8
Coverage of Gorbachev's Speech	8
Moscow Official 'Hooted'	9
Gorbachev Cited on Reform	9
To Adopt 2 Major Documents	10
Bribe Investigations Demanded	10
To Disclose Antireform Letter	10
'Sensitive Issues' Debated	11
'News Analysis' on Conference	11
Soviet Commander in Afghanistan Cited on Pullout	12
Akhromeyev Cited on Troop Pullout From Europe	13

Northeast Asia

Newspaper Column Views Sino-South Korean Trade [Hong Kong CHENG MING 1 Jul]	13
Vice Premier Wu Meets Japanese Corporate Official	14
Japanese Firm Charged With Export Violation	14
Chinese Builders Seek 'Fair' Treatment in Japan	14
Commentary on Growth in Japan's Defense Budget	15

Southeast Asia & Pacific

Wu Xueqian Meets Indonesian Delegation	16
Goodwill Delegation on 1-Week Visit to Burma	16
Philippines Aims To Balance Trade Figures	16
Sihanouk Outlines Position on Jakarta Talks	17

Near East & South Asia

CPC'S Li Ximing Interviewed on Mideast Issues [Damascus AL-BA'TH 17 Jun]	17
Soviet General Cited on Afghanistan Troop Pullout	18
Afghan Guerrillas Destroy Ammunition Depot	19
Afghan Mujahideen, Soviets Exchange Prisoners	19
Egyptian Press Criticizes U.S. Smuggling Charges	19

Sub-Saharan Africa

Li Guixian Meets African Bank Officials	20
Shanghai's Mayor Briefs Ethiopia's Mengistu	20

West Europe

Portuguese Foreign Minister Arrives in Beijing	20
Vice Premier Meets Italian Trade Minister	20
Sino-Italian Trade Volume Continues To Grow	20
'Close Cooperation' With Viennese Police Slated [Vienna NEUE KRONENZEITUNG 29 Jun]	21
U.S. To Base Additional Bombers in Britain	21
EC Summit Ends, Panel To Study Monetary Union	21

East Europe

Hungary To Pursue Open Policy With West, Asia	22
Romania Acts Against Hungarian Ethnic Protests	22
Mass Rally Denounced	22
Closes Hungarian Consulate	23
'Roundup' Views Hungary's 'Private Commerce'	23

NATIONAL AFFAIRS

Police Suppress Demonstration by 1,000 Peasants [Hong Kong HONGKONG STANDARD 30 Jun]	25
Protest Seen as 'Surprising' [AFP]	25
QIUSHI To Begin Publication; Replaces HONGQI	26
Partial Review of Contents	26
Bao Tong Quoted on Political Reform	27
Hu Yaobang 'May Return to Active Politics' [Hong Kong SOUTH CHINA MORNING POST 29 Jun]	27
Security Ministry Warns Against Liberalization [Hong Kong CHENG MING 1 Jul]	28
Li Peng Discusses Population Control	28
Li Peng Issues State Council Decree No 4	29
Peng Chong Briefs Standing Committee on NPC Work	29
NPC Sets Up Internal Judicial Affairs Committee	30
NPC Member Suggests Tax on Banquets	31
Changes in Transport, Communications Needed [RENMIN RIBAO 28 Jun]	31
Politburo's Li Tieying Visits Guangdong	33
Justice Minister on Judicial Administration [RENMIN RIBAO 25 Jun]	33
CHINA DAILY Commentator on 'Clean Government' [30 Jun]	34
Beijing University Student Demonstrations Noted [Hong Kong LIAOWANG OVERSEAS EDITION 20 Jun]	34
Strengthening Supervision 'Priority' Task [LIAOWANG 13 Jun]	36
Commentator Stresses Cadre System's Smooth Reform [JIEFANGJUN BAO 17 Jun]	37
Navy Cultivates Large Number of Commanders	38
Ministry of Materials Inaugurated in Beijing	38
Dismissal of Rattan Factory Manager Rescinded [RENMIN RIBAO 28 Jun]	38
Commentator on Running Joint-Venture Enterprises [RENMIN RIBAO 28 Jun]	39
Economic Official Says Exports Abroad Increasing	40
Poor Quality of Foreign Imports Protested	41
Development of Export-Oriented Economy Discussed [GUANGMING RIBAO 18 Jun]	41
Use Foreign Experiences To Fight Inflation	43
Procuratorial Official on Economic Crime Rise	43

Commentator on Caution in Coastal Economy [RENMIN RIBAO 25 Jun]	44
Party Official Calls for New Economic Order	45
Daily Urges Faster Private Economy Growth	45
Inflation Linked to Industrial Growth Rate [CHINA DAILY 29 Jun]	46
Urban-Rural Gap Stifles Development	46
'Letter From Beijing' on Rural Reform, Development [Hong Kong LIAOWANG OVERSEAS EDITION 27 Jun]	47
High-Quality Hybrid Rice Cultivation Successful	49
Peasants 'Urgently' Need Farm Chemicals [NONGMIN RIBAO 20 Jun]	49
Reform Deadlock Needs Sale of Property Rights [GUANGMING RIBAO 18 Jun]	50
Ministry Set To Solve Housing Problems [CHINA DAILY 30 Jun]	51
CHINA POPULATION NEWS Published 1 Jul	52
CPPCC, State Officials on Publishing Problems	52
Conference Discusses Higher Education Reform	52
RENMIN RIBAO To Publish Ship Arrivals	53

REGIONAL AFFAIRS

East Region

Anhui Province Uses Foreign Funds for Bridge	54
Jiangsu People's Congress Meeting Ends	54
Jiangsu Governor at Meeting on Production Plan	54
Jiangsu Enterprise Develops Fiber Production	54
Nanjing Fertilizer Production Increases [RENMIN RIBAO 25 Jun]	55
Jiangxi's Mao Zhiyong Inspects Farms, Factories [JIANGXI RIBAO 16 Jun]	55
Shanghai Mayor Attends Sino-U.S. Forum	56
Zhejiang Expands Open Economic Zone Area	56
Correction to Shanghai's Main Economic Statistics	57

Central-South Region

Crime Reporting Centers Set Up in Guangdong [Hong Kong LIAOWANG OVERSEAS EDITION 27 Jun]	57
Guangdong's Shantou Attracts Foreign Funds	58
Guangdong Allows Processing by Foreign Firms	58
Guangdong Birth Rate Continues To Decline	59
Guangxi Frontier Guards Help Battle Drought	59
Hainan Leaders Stress Fighting Corruption	59
Rand Corp To Help Hainan Design Development Plan	60

Southwest Region

Sichuan's Yang Rudai Urges Fighting Drought	60
More Drugs Crossing Yunnan's Border With Burma [Hong Kong SOUTH CHINA MORNING POST 29 Jun]	60
Yunnan Official Charged With Corruption [CHINA DAILY 29 Jun]	61

Northeast Region

Heilongjiang Official Views USSR Border Trade	62
Heilongjiang Governor on Sanjiang Development	63
Heilongjiang To Cut Timber Production	63
Liaoning's Quan Shuren at Meeting on Opening Up [LIAONING RIBAO 8 Jun]	63

Northwest Region

Gansu Secretary Addresses Cadre Study Course	64
Gansu Oil Refinery Welcomes Investment	
<i>[CHINA DAILY (LANZHOU SUPPLEMENT) 30 Jun]</i>	64
Failure of Qinghai Joint Venture Merits Attention	65
Shaanxi Taxi Drivers Protest Discrimination	66
Shaanxi Radio Urges Reforming 'Two-Track' Prices	66
Shaanxi Meeting Urges Fighting Serious Drought	67

PRC MEDIA ON TAIWAN AFFAIRS

Government Waiting for Mainland Policy Response	68
Separating Government, Nongovernment Contacts	68
Upcoming Kuomintang Party Congress Previewed	
<i>[Hong Kong LIAOWANG OVERSEAS EDITION 27 Jun]</i>	70
ACFTC Official Urges Improved Relations	71

TAIWAN

Cabinet Secretary General Offers To Resign <i>[AFP]</i>	73
Opposition Party Dismisses Cabinet Invitation <i>[Hong Kong HONGKONG STANDARD 29 Jun]</i>	73

General

Foreign Ministry Gives Weekly News Briefing

On Soviet Reform, Afghanistan

OW3006095688 Beijing XINHUA in English
0930 GMT 30 Jun 88

[Text] Beijing, June 30 (XINHUA)—China hopes that the Soviet Union's on-going reform will succeed, Foreign Ministry spokesman Li Zhaoxing told a weekly news briefing here this afternoon.

Responding to a question, Li said China is following the 19th national conference of the Soviet Communist Party. "We have noticed that one of the main topics of the conference is reform, and we hope their reform will succeed."

Asked to comment on the report that Soviet Union has sent some of its troops, after being strengthened, back to Afghanistan, Li said, "the Soviet Union should withdraw all its troops from Afghanistan within the time limit set by the Geneva accord and not delay the withdrawal on any pretext."

'High-Ranking' Group To Visit DPRK

OW3006082988 Beijing XINHUA in English
0812 GMT 30 Jun 88

[Text] Beijing, June 30 (XINHUA)—China will send a high-ranking delegation to Korea to attend the celebrations for the 40th anniversary of the founding of the Democratic People's Republic of Korea (DPRK) in September.

This was announced by Chinese Foreign Ministry spokesman Li Zhaoxing at a weekly news briefing here this afternoon.

"A list of the names of Chinese leaders on the delegation will be made public soon," he added.

Asked whether China has any intention of establishing diplomatic ties with South Korea, Li said that in considering the question of the Korean peninsula, China always takes into account how to contribute to the relaxation of tension and stability on the peninsula.

Shultz To Visit in July

OW3006080788 Beijing XINHUA in English
0743 GMT 30 Jun 88

[Text] Beijing, June 30 (XINHUA)—George Shultz, secretary of state of the United States, will pay an official visit to China from July 14 to 16 at the invitation of Chinese Foreign Minister Qian Qichen.

This was announced by Chinese Foreign Ministry spokesman Li Zhaoxing at a weekly news briefing here this afternoon.

Guinean President to Visit

OW3006081388 Beijing XINHUA in English
0732 GMT 30 Jun 88

[Text] Beijing, June 30 (XINHUA)—General Lansana Conte, president of the National Military Committee of Redemption of Guinea, head of state and president of the Republic of Guinea, will pay a state visit to China from July 7 to 12.

General Conte will be the guest of Chinese President Yang Shangkun during his stay here, Chinese Foreign Ministry Spokesman Li Zhaoxing announced at a weekly news briefing here this afternoon.

During his visit to China, President Conte will exchange views with Chinese leaders on furthering the friendly relations and cooperation between the two countries as well as on major international issues.

Other Visits Announced

OW3006081888 Beijing XINHUA in English
0748 GMT 30 Jun 88

[Text] Beijing, June 30 (XINHUA)—A parliamentary delegation from Bolivia headed by H. Willy Vargas Vacaflor, president of the Chamber of Deputies, and Lord Henry Plumb, president of the European Parliament, will visit China early next month.

This was announced by Chinese Foreign Ministry spokesman Li Zhaoxing at a weekly news briefing here this afternoon.

Both the Bolivian delegation and Plumb are invited by the Standing Committee of China's National People's Congress for a goodwill visit to China.

The Bolivian delegation will arrive here on July 4 while Plum will arrive here on July 8.

Qian Qichen, UN Group Discuss Cambodia

OW3006073088 Beijing XINHUA in English
0713 GMT 30 Jun 88

[Text] Beijing, June 30 (XINHUA)—Chinese Foreign Minister Qian Qichen met here this afternoon with a delegation of the ad hoc committee of the international conference on Kampuchea led by Massamba Sarre, committee chairman and permanent representative of Senegal to the United Nations.

Both sides discussed the question of Kampuchea.

Earlier today, Vice-Foreign Minister Liu Shuqing held talks with the delegation.

Members of the delegation include Dato Rosli Ismail, rapporteur of the committee and permanent representative of Malaysia to the U.N., and Michel Delfosse, vice-chairman of the committee and minister counsellor of the Permanent Mission of Belgium to the U.N.

Sarre and his party are scheduled to leave for Bangkok at the end of their China tour later today.

Li Guixian Meets IMF Asian Delegation

OW2906182688 Beijing XINHUA in English
1041 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)—Chinese State Councillor and Governor of the People's Bank of China Li Guixian met P. R. Narvekar, director of the Asian Department of the International Monetary Fund, here today.

Conference on Disabled Children Opens

OW2906145188 Beijing XINHUA in English
0119 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)—How to help handicapped children lead a full, active life is the theme of an international conference on special education now in session in Beijing.

Over 600 professionals from 23 countries and territories are attending the meeting which opened Tuesday, today's "CHINA DAILY" reported.

They will discuss the development of special education, education for deaf children, vocational training, job preparation for the handicapped, special services, and experiments in curricula change.

The conference was sponsored by the China International Conference Center for Science and Technology and U.S. Global Interactions Inc in co-operation with the China Disabled Persons Federation (CEPF) and the U.S. National Association of State Directors of Special Education.

One of every 10 handicapped persons in the world is Chinese. According to a recent national survey, only 52,876 blind, deaf, mute and mentally-retarded children are now studying in China's 504 special schools and the 578 special education classes in regular schools, which made up only a few percent of the total handicapped children of school age.

Deng Pufang, president of the CEPF, said in his address to the conference that one of China's greatest concerns was that "it is still extremely difficult to provide proper education to all disabled children.

"This will remain a prominent obstacle to the popularization of primary education and to the development of China's undertaking for the disabled."

The government is working on specific policies to help more handicapped children to study in schools.

However, most existing special schools still lack adequate facilities and most teachers have not received advanced training in special education and special educational psychology.

Only in the past few years have a few research facilities been set up to do research on special education.

'Commentary' on 'Difficulties' at Cairo Talks

HK2906055888 Beijing RENMIN RIBAO in Chinese
28 Jun 88 p 6

["Commentary" by RENMIN RIBAO reporter Lin Jiaoming (2651 4109 2494): "Difficulties in the Four-Party Talks"]

[Text] After 8 hours of heated dispute, the second round of 4-party talks held in Cairo by Angola, Cuba, the United States, and South Africa ended on 26 June. The short communique issued did not contain anything substantial, but merely announced that "new progress had been made" in the talks and that an "expert level meeting" will be held in the United States in 2 weeks. The results indicate that the door of the four-party talks to settle the question concerning southern Africa is still wide open, but progress is slow.

The Cairo 4-party talk is the continuation of 4-party talks held secretly in London in May. It is a matter of positive significance that senior-level delegations from relevant parties involved in the war for Namibian independence, which is causing chaos in Angola, sat around the conference table again to exchange views and seek a solution. Public opinion here believes that the continuation of the 4-party talks will bring about new hopes for a peaceful settlement of the Angolan and Namibian issues.

However, the purpose of the meeting was not just to talk. The key to settling the South African question lies in urging all foreign troops to withdraw from Angola and the recognition of Namibia's independence. It has been reported that no substantial progress has been made on this issue because of the uncompromising stand adopted by South Africa. During this round of talks, both Angola and South Africa presented a working document. The document presented by Angola was based on the peace proposal it offered in March this year: That the 40,000 Cuban troops should withdraw from Angola in stages within 4 years and South African troops should withdraw from southern Angola at the same time; South Africa should stop backing the opposition forces in Angola and let Namibia realize independence in light of the UN Security Council resolution. However, the document from South Africa insisted that Cuban troops should withdraw first from Angola within a short period of 8 months; avoided any mention of the withdrawal of South African troops from Angola; or the recognition of

Namibian independence in light of the UN Resolution 435. According to participants at the talks, while adopting an uncompromising stand, South Africa was forced to finally agree to "merge the two documents into one." This was a "turning point" in current talks. The expert-level meeting held on 11 July in the United States will be entrusted with accomplishing this mission.

It is noteworthy that the continuation of the talks is related to the recent changes in the international situation, particularly the relations between the United States and the Soviet Union which are starting to relax and the consultations between the two sides on regional conflicts. At the U.S.-Soviet summit held not long ago, President Reagan and Gorbachev discussed the question concerning southern Africa and exchanged views on settling the chaos in Angola caused by war, and the independence of Namibia. Based on "realism" and "balance of interests," both sides expressed their hopes to settle the question concerning southern Africa in light of the "basic principles" of the Afghan pattern; and continue to exert influence on relevant parties so as to accelerate the progress of the talks to seek a political solution. Both the United States and the Soviet Union also pledged to "make efforts toward the common target." Consequently, since the London 4-party secret talks, the United States has appeared in the capacity of "mediator." The Soviet Union, though not involved in the talks, sent a senior expert on South African affairs to Cairo to "follow the progress of the talks." The positive attitude of the two big powers and their proposals made on the 4-party talks will have great impact.

Nevertheless, the question concerning southern Africa is intricate and the positions of Angola and South Africa differ greatly on the withdrawal of Cuban troops from Angola. Moreover, South Africa has had no intention so far of giving up its illegal occupation of Namibia. Hence, the progress of the talks to settle the question concerning southern Africa will be tortuous and difficult.

United States & Canada

U.S. Communist Party Delegation Visits Shanghai
OW2906120788 Shanghai City Service in Mandarin
2200 GMT 20 Jun 88

[From the "Morning News" program]

[Text] A delegation of the U.S. Communist Party, headed by the party's general secretary Gus Hall, arrived in Shanghai on 19 June for a visit. Zhao Qizheng, member of the Standing Committee of the Shanghai Municipal CPC Committee, met with the delegation at [words indistinct] Guesthouse. Zhao Qizheng briefed the guests on the reforms and development in Shanghai. (Luo Shiqian,) [words indistinct] of the Organization Department of the Shanghai Municipal CPC Committee, was present at the meeting.

Kang Keqing Meets U.S. Special Education Group
OW2906141788 Beijing XINHUA in English
0541 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)—Kang Keqing, vice-chairperson of the National Committee of the Chinese People's Political Consultative Conference and president of the All-China Women's Federation, met with a special education delegation from the United States here today.

The delegation is led by the 84-year-old Irene Cheng, who is a friend of the late Chinese Honorary President Soong Ching Ling. During the meeting, Irene Cheng and Kang exchanged views on how to improve the education of retarded and disabled children.

The visitors arrived here June 25 at the invitation of the China Women's Travel Service to attend an international conference on special education.

SHIJIE ZHISHI Views U.S. Economy
HK3006063988 Beijing SHIJIE ZHISHI in Chinese
No 12, 16 Jun 88 pp 10-11

[Article by Zhang Zhenya (1728 2182 0068): "U.S. Economy—From Worries About Recession to Fears of Inflation"—first paragraph in boldface as published]

[Text] The substantial depreciation of the U.S. dollar has increased the competitiveness of U.S. export products and considerably reduced its foreign trade deficit; the increased employment opportunities in the country and the stability of individual incomes have also raised consumption demands in the United States, making it possible for the United States to avoid a crisis. However, good times do not last long. Now the "devil" of inflation is again threatening U.S. economic growth....

The Threat of Inflation [subhead]

Calculated on the GNP figure in the first quarter of this year, the U.S. economy has risen by 3.9 percent this year. Due to the export boom, higher enterprise production capacity, increased investment in plant and equipment, a drastic reduction in unemployment, and the rise in consumer spending, the economic growth for the second quarter of this year is expected to exceed 4 percent. The growth rate this year will not be lower than that of last year.

After the collapse of the New York stock market last October, lack of confidence on the part of the vast numbers of consumers and the slump in the market led to a drastic increase in inventory and credits. A pessimistic atmosphere enveloped the whole country. A number of noted American economists were afraid that the U.S. economy would sink into a recession this year. However, the changeable economy has taken a turn for the better. Now, people are worried more about the

threat of inflation triggered by an "overheated" economy than about recession. The former will lead to a drastic rise in interest rates, making it possible for a repetition of the alarming market crash last year. For this reason, it is likewise worrying.

The Recovery of Consumer Spending [subhead]

The change in the situation has come from the recovery of U.S. consumer spending. Since last September U.S. consumer spending has gradually dropped. After the Wall Street stock market crash, U.S. consumer spending dropped to its lowest point in October and November last year, resulting in a large inventory. To deal with the deteriorating economy, Alan Greenspan, the new Chairman of the U.S. Federal Reserve Board (the central bank) immediately reduced the discount rate and vigorously issued credits to commercial banks to avoid the depletion of market capital and the bankruptcy of enterprises. Under the impetus of this inflationary financial policy, the interest rates of various credits dropped. Beginning in last December and January, U.S. consumer spending picked up. However, it did not return to the level of last August until last February. For this reason, when reporting to Congress on the U.S. economic conditions, Greenspan still prudently predicted that the U.S. economic growth rate from the beginning to the end of this year would remain at 2-2.5 percent, lower than the 3.8 percent growth rate last year. Unemployment rate should remain at 5.8-6 percent.

In March this year, the stronger trend of the U.S. economic development became clearer. Consumer spending rose by 1.7 percent (it rose by 0.2 percent in January and 0.6 percent in February), double the earlier expectation by the economic circles. This further shows that U.S. consumer demands have not been dampened. Consumer spending represents two-thirds of the U.S. gross national product. As long as it is free of major problems, the American economy will continue to run normally.

Export Boom of the Manufacturing Industry [subhead]

Why is it that U.S. consumer spending has not dropped? This can be attributed to an increase in employment and stabilization of individual incomes in the past 6 months. Both are inseparable from a robust export increase led by manufactured products.

Last November, U.S. industrial and agricultural products greatly improved their competitiveness in overseas markets, benefiting from cheap export prices caused by the drastic depreciation of the dollar in the wake of the stock market crash. The U.S. foreign trade deficit deteriorated on two occasions in October last year and February this year, which resulted in falls on the New York stock market. However, these circumstances were chiefly due to incidental huge increases in imports rather than a drop in exports. If we take a 3-month period, there has been a clear trend of reduction in the U.S. foreign

trade deficit since last summer. The monthly U.S. trade deficit hovered at \$16 billion between June and August last year, but dropped to \$15 billion between September and November, and fell further to \$12.8 billion between December and February. With U.S. exports soaring by 23 percent in March, the trade shortfall took a surprising slide to \$9.7 billion from \$13.8 billion in February. The most remarkable increases were registered in the exports of manufactured products, such as aircraft, automobiles, and machinery, giving evidence of a revival of the U.S. manufacturing sector. If nothing unexpected happens, U.S. foreign trade is set to take a turn for the better this year.

Rising Prices of Products [subhead]

The drastic increase in exports and consumption have drastically increased the number of people employed. The unemployment rate dropped to 5.4 percent in April, the lowest point in 14 years. Factories operated at an average 82.7 percent of production capacity in April, the highest level in 8 years. According to past experience in the country, if 85 percent production capacity of an industrial section is achieved, its products will be sold at higher prices to adjust to greater demand. In the United States the production capacity of many factories exceeded this criterion at the beginning of this year. For example, from December last year to January this year the average production capacity was 96.5 percent in the country's paper mills, 95.2 percent in iron and steel works, 94.1 percent in textile factories, 85.5 percent in rubber and plastic factories, 88.4 percent in astronautics factories, 87.7 percent in petrochemical plants, 85.9 percent in chemical plants.... These factories have marked up the prices of their products.

The boom in domestic and overseas markets has naturally stimulated capital investment in enterprises. According to a U.S. Trade Department estimate, capital investment in U.S. enterprises increased by about 21 percent in the first quarter of this year.

All these show that it is no longer economic recession but more probably inflation that is threatening the U.S. economy.

Although inflation is still in its dormant state in the United States, there are indications of it in official statistics. According to statistics released by the U.S. Labor Department on 20 May, the price index of consumer goods increased 0.5 percent in March, which means an annual rate of 6.4 percent compared with 4.4 percent last year. For this reason, most American economists regard this figure as a sign that inflation has further deteriorated.

The Interest Rates Are Picking Up [subhead]

In dealing with inflation, we should not first take a laissez-faire attitude and then curb it. It will be too costly to do so. For this reason, as early as in early April, Alan

Greenspan, Chairman of the U.S. Federal Reserve Board, cautiously raised the federal funds rates which the Federal Reserve Board charges commercial banks for overnight credits. After the Labor Department announced on 6 May that the U.S. unemployment rate dropped to 5.4 percent in April, presaging a possible deterioration in inflation, Greenspan again raised the federal fund rate on 11 May. That is to say, he has tightened loans to commercial banks to prevent excessive economic growth from causing steep price increases. Given the atmosphere that the financial market is generally afraid of inflation and rising interest rates, five major U.S. commercial banks have raised their prime interest rates from 8.5 percent to 9 percent, pushing back interest rates to levels similar to those of the days of the stock market crash.

High interest rates are always foes of the stock and bond markets because they enable investors to draw away their capital from the stock and bond markets, leading to the collapse of stock prices. It is even more pronounced when the difference between yields on stocks and interest rates on credit widens. A substantial interest rate rise at that time contributed to the stock prices collapse last October as interest rates dwarfed yields on stocks.

The Balance of International Payments Deficit Is Still Huge [subhead]

The year 1988 is an election year in the United States. Neither the White House nor the two parties in Congress will take major action regarding major domestic economic or fiscal policies, such as cuts in government expenditures and the federal budget deficit. Therefore, it is up to the Federal Reserve Board to adjust the economy without leading to stagnation and being caught in a recession or triggering more economic heat and a worse inflation as a result of excessive growth, a task which is by no means a joyride for Federal Reserve Board Chairman Alan Greenspan.

Due to inaction on the part of the Congress, the U.S. federal budget deficit in fiscal 1988 is expected to surpass last year's figure of \$148 billion. And the people's savings deposit rate is too low. According to a forecast by the ministerial meeting of the "Organization for Economic Cooperation and Development," the balance of U.S. international payment deficits for regular items will probably drop from \$160.7 billion last year to \$150 billion this year. This shows that the export growth this year is still insufficient to substantially reduce the trade deficit. The deficit figure is still enormous. Obviously, as long as the above-mentioned basic condition does not change, the United States will have to continue to rely on a large influx of foreign capital to maintain its economic balance and the U.S. dollar can hardly shake off its weakened and shaky position. Against this background, it will be like catching fish in a tree for the United States to achieve "continued steady economic development free of inflation."

Because inflation has become a major threat to the current U.S. economy, the U.S. economic circles are conducting a heated debate on whether the financial authorities should further raise interest rates to curb the overheated economy or temporarily take a wait-and-see attitude before taking any action. The continued turbulence on the stock market on Wall Street has further increased the mental chaos and uneasiness of the market.

Drop in U.S. Foreign Trade Deficit Viewed

HK2706150988 Beijing RENMIN RIBAO in Chinese
24 Jun 88 p 7

[Article by Sun Yi (1327 3015): "Talking About the Drop in the U.S. Foreign Trade Deficit"]

[Text] It is the practice of the United States to issue at the middle of each month the trade figures of the previous month. These figures are usually taken by people in economic circles as an important basis for analyzing the U.S. economic situation. They are often followed by all kinds of reactions in the financial markets, reflecting the people's attitude toward the basic economic development of the United States.

However, when the Department of Commerce announced in the middle of last month that the U.S. foreign trade deficit dropped from \$13.8 billion in February to \$9.7 billion in March (which was later readjusted to \$11.7 billion), there were very limited positive reactions in the financial markets. Moreover, the stock market dropped 21.22 points the day of the announcement.

In contrast to this, when the same department announced on 14 June a drop in the foreign trade deficit to \$9.89 billion in April, there were very strong reactions in the financial market. The dollar again became strong in various foreign exchange markets; the sharpest increase in the prices of bonds in the past 5 months occurred; and the stock market also went up.

Why the differences?

Analysts hold that a fundamental reason is that the recent figures announced by the U.S. Department of Commerce reflect a great improvement in the U.S. foreign trade situation rather than merely showing that the foreign trade deficit for that month was the lowest in the past 40 months.

First, judging from the changes in the import and export structure, although the total export volume of the United States was \$26.22 billion in April, down 2.5 percent from March, in view of the fact that this was a drop after the big increase of 23 percent in March, the trend of strong exports for the United States has still not been weakened. What merits our attention is that there was an even greater drop in imports in April, which was 6.4 percent compared with March. This is a rare phenomenon in the United States in recent years.

Second, the big drop in imports also reflected that U.S. domestic demand is slackening. Although the foreign trade deficit was reduced several times in the first half of this year, this was the result of the faster growth of exports than imports, which concealed the fact of the growing domestic demand. However, the main reason for the drop in the foreign trade deficit in April was the reduction in the total volume of imports.

Judging from the regional structure, the U.S. foreign trade deficits with major Western countries declined in April. Of this, the deficit with Japan dropped \$110 million and the deficit with Western Europe declined by nearly \$100 million. This will more or less relax the trade clashes between the United States and these countries and help reduce the pressure for protectionism within the United States.

Of course, we still cannot say that the general U.S. foreign trade situation has greatly improved. Even if the trend of the first half of the year can be maintained in the next few months, the U.S. trade deficit of 1988 may still reach about \$140 billion.

'Roundup' on Democratic Unity Before Convention
OW2906141488 Beijing XINHUA in English
0222 GMT 29 Jun 88

["Roundup: Smooth Sailing for U.S. Democrats Before Convention (by Bao Guangren)"]—XINHUA headline]

[Text] Washington, June 28 (XINHUA)—The climate looks good for the U.S. Democratic Party during the pre-convention season—with signs of unity, harmony and productivity.

"This is a historic moment in the annals of the Democratic Party," according to a speech yesterday by Paul Kirk, Democratic Party National Committee chairman.

"I think in the last several weeks, and especially over the weekend, another page of conventional wisdom was torn up The Credentials Committee met without a single challenge, the Rules Committee met without a minority report and the Platform Committee met and adopted a statement of principles and priorities without discord or rancor."

The Democratic Party showed rare unity in reaching an agreement on setting new rules which call for the number of "superdelegates" to the 1992 Democratic national convention to be reduced by more than one-third and for "winner-take-all" features to be eliminated from all states.

The agreement was reached in private negotiating sessions between representatives of black civil rights leader Jesse Jackson and Massachusetts Governor Michael Dukakis and was approved June 25 by the party's Rules Committee.

There are 643 superdelegates who are party and elected officials picked by the party this year. They can vote for whomever they want.

The new change of rules is designed to ensure that the number of convention delegates a candidate is awarded in future presidential nomination contests more closely reflects the percentage of popular votes won in primaries and caucuses. The change is considered a victory by Jackson.

Last Saturday night, the party's Platform Committee approved a short, thematic platform that avoided specific controversial promises on taxes, military spending and other issues.

The NEW YORK TIMES reported that the consensus was that Jackson deserved most of the credit for the spirit of comity, but Dukakis had also gone out of his way to avoid fracturing the party.

On Friday, Jackson urged his chief representative to the Platform Committee to work "in a spirit of collegiality and respect for his opponent, Governor Dukakis."

The Jackson delegates proposed several platform planks that were unacceptable to the Dukakis campaign, and each of those proposals was defeated by the Dukakis delegates. However, the Dukakis camp acceded to the language the Jackson delegates wanted—calling South Africa "a uniquely repressive regime."

Unlike previous election years, there were no sit-ins, walkouts or even the riots that have at times in the past accompanied debates over party platform and rules, events that often put Democratic candidates at a disadvantage in the fall campaign.

Just as Christopher Edley, Governor Dukakis's director, explained, "People really want to win, and they want it badly."

When the presidential primaries ended three weeks ago, people wanted to see "if Michael Dukakis and Jesse Jackson can learn to dance." How Dukakis, the almost certain Democratic nominee, handles the relationship with the number two contender, Jackson, will affect Dukakis's ability to defeat the Republican contender.

But now, the WASHINGTON POST reported, "The Dukakis-Jackson duo has been dancing to sighs of relief from one end of the party to the other."

Nationally, Dukakis continues to enjoy a 16-point lead in recent polls over the Republican candidate, Vice President George Bush.

On June 27, the party chose Texas State Treasurer Ann Richards to deliver the keynote address on the July 18 opening night of the convention. She will be the second woman to deliver a convention keynote speech in the

party's history, a move which is seen as one sign of the attempt to court women voters in the country and show the party's focus on domestic issues.

The remaining big issue seems to be the selection of a running mate by Dukakis, and if correctly handled, Dukakis will make the decision before the convention.

Dukakis has wisely announced that Jackson is qualified for the job, a statement that pleases Jackson, who said a decision has been made, but it would not be disclosed now.

Jackson has indicated to his supporters that being considered for the No 2 spot is a breakthrough for him. Most probably he would turn it down to avoid more controversy in the election. Meanwhile, Dukakis is meeting members of Congress today to discuss the issue.

U.S. Insists on Asymmetry in Arms Cuts
OW2506164488 Beijing XINHUA in English
0706 GMT 25 Jun 88

[Text] Washington, June 24 (XINHUA)—The United States today welcomed the latest Soviet proposal for conventional forces reduction but insisted on the principle of asymmetry—larger cuts by the Soviets than by the West.

State Department Spokesman Charles Redman made the statement in response to a report that Deputy Director of the Disarmament Department of the Soviet Foreign Ministry Konstantin Mikhaylov expressed, at the United Nations Thursday, Soviet willingness to "eliminate imbalances" in conventional forces between the NATO and Warsaw Pact as the first step in a three-stage plan.

Mikhaylov said that this first step would involve an exchange of "official, responsible data" about the size of each side's forces in Europe, which would enable negotiators to identify "imbalances and asymmetries."

He noted that the Soviet proposal will be submitted to a 21-nation European disarmament conference expected to open in Vienna this year.

Redman said the Soviet proposal "attempts to merge an old Soviet idea, which is equal East-West conventional force reductions, with aspects of the Western approach on the need to remove conventional force asymmetries."

Redman said most parts of the proposal are the "same things" put forward by Soviet General Secretary Mikhail Gorbachev at the Moscow summit, and then at the United Nations by Soviet Foreign Minister Eduard Shevardnadze.

The West believes that the Warsaw Pact has a superiority in conventional forces in Europe, outnumbering the NATO by about 3 to 1 in tanks, 2 to 1 in artillery pieces and 2 to 1 in aircraft.

The United States and its allies have been, therefore, calling for an asymmetrical instead of equal reduction as the Warsaw Pact suggests in conventional forces.

Redman said the superiority of the Warsaw Pact means that "equal reductions would make the West less secure, not more so."

"If the plan indicates a commitment to solve the core security problem posed by the conventional superiority of Warsaw Pact forces in Europe, we welcome it," Redman said.

However, the spokesman expressed his disappointment that the Soviet plan "doesn't recognize" the existence of asymmetries.

Referring to the initial data exchange, Redman said it is "a recipe for the kind of fruitless data dispute" which has plagued the Mutual and Balanced Forces Reduction Talks (MBFR) for many years.

He called on the Soviet Union to agree on "a mandate" for the new conventional arms control talks.

The NATO and the Warsaw Pact have negotiated for a balanced force reduction in central Europe for 13 years. But the negotiation has been deadlocked because the two sides disagree with the quantity of their respective conventional forces.

The two blocs have agreed in principle to shift the conventional arms talks away from MBFR, which deals only with central Europe, to a new set of discussions in Vienna involving more nations and covering forces throughout the continent.

A mandate for the new talks is under discussion with the West hoping that the human rights issue would be included in the talks and the East insisting that the talks be restricted to military matters.

U.S., Egypt Pursue Thwarted Smuggling Plot
OW2806174588 Beijing XINHUA in English
2335 GMT 27 Jun 88

[Text] Washington, June 27 (XINHUA)—The United States is "in close touch" with the Egyptian Government in the investigation of a plot to smuggle to Egypt top-secret missile materials, the State Department said today.

U.S. newspapers reported at the weekend that five people, including an Egyptian lieutenant colonel who works in his country's embassy here, were accused of conspiring to smuggle to Egypt high-technology materials known as carbon-carbon that could be used to manufacture a sophisticated missile system.

"We have been discussing this with the appropriate Egyptian authorities," Justice Department [as received] Spokesman Charles Redman said. "We take violations of our export control laws very seriously."

Redman did not give any specifics of the investigation nor offer anything on the nature of the contacts, although he said there have been contacts "both here and in Cairo."

Meanwhile, the spokesman said, "U.S.-Egyptian relations are strong and very close, and they're built on a broad base of common interests."

"Accordingly, we expect full cooperation from the Egyptian Government on this issue," he added.

Asked if any body has been declared persona non grata, Redman said, "I don't have anything on that at this stage."

However, U.S. newspapers revealed that the Egyptian officer, Lieutenant Colonel Muhammad 'Abd al-Muhammad had been arrested and then released after he asserted diplomatic immunity. According to U.S. officials, he is expected to be expelled from the United States within the next several days.

Soviet Union

Further Reportage on Soviet Party Conference

New State Organ Proposed

OW2906211588 Beijing Domestic Service
in Mandarin 0930 GMT 29 Jun 88

[Text] According to a XINHUA dispatch from Moscow, General Secretary Gorbachev of the CPSU Central Committee proposed, in his report delivered at the 19th national party conference yesterday, to set up a new supreme state organ of power—the Congress of People's Deputies—to handle the most important constitutional, political, social and economic issues. He suggested that the Congress of People's Deputies elect a standing body—the Supreme Soviet—and that the Supreme Soviet be headed by a president to be elected and recalled by secret ballot of the congress, who would handle key issues of domestic and foreign policy and the nation's defense, head the Defense Council, and submit the candidate to head the government. Thus, he would have more power than the present chairman of the Presidium of the Supreme Soviet.

Coverage of Gorbachev's Speech

OW2906213088 Beijing Television Service
in Mandarin 1000 GMT 29 Jun 88

[Announcer-read report, interspersed with clips of Gorbachev delivering speech]

[Text] At the 19th All-Union Conference of the Soviet Communist Party, General Secretary Gorbachev delivered a 3 and 1/2-hour report. Gorbachev first talked about the need to deepen and develop reform. He said: The reform over the past three years has saved the state from the danger of economic, social, and spiritual crisis. Now reform is occurring in the actual deeds of millions of people. However, the improvement in people's living standards is still not so good. Gorbachev sharply criticized the resistance to reform in party and government organs. He believed that the reform would have been carried out much better if not for such resistance.

Gorbachev also candidly and sharply criticized existing shortcomings and errors. He pointed out: Right now, we have not eliminated the maladies which hinder the new economic mechanism. Changes in the economic situation are slow. Political restructuring is the most important guarantee to deepen the reform. He criticized the maladies of the old system which had prevailed for many years since the Stalin era. He pointed out that the ossified political structure had made people drift apart and remain indifferent.

Gorbachev put forward different plans for political restructuring, including the establishment of a new supreme body of state authority—the Congress of People's Deputies of the USSR—which would elect, by secret ballot, a president of the Supreme Soviet to handle key issues of domestic and foreign policy and the nation's defense.

Gorbachev went on to say: The situation with the party taking on everything must be changed. Efforts must be made to limit the tenure of party and government cadres to not more than two terms—10 years. He pointed out that the next few years would determine the destiny of the country. He called on the whole party to work hard in order to make the reform a success.

On foreign policy, he pointed out: In learning from the past experience, we cannot but admit that the command-and-administrative method did not bypass Soviet foreign policy. Even the most important decisions were adopted by a narrow circle of persons. This resulted in an inadequate reaction to international events and the policy of other states, and sometimes in mistaken decisions.

When he spoke of Soviet troop withdrawal from Afghanistan, the conference hall burst into loud applause for the first time.

In his report, Gorbachev also stressed the role of the new thinking in shaping foreign policy. Only a foreign policy formulated under the guidance of open and dialectical new thinking can effectively serve the reform in the Soviet Union, he added.

Moscow Official 'Hooted'

OW2906152888 Beijing XINHUA in English
1338 GMT 29 Jun 88

[Text] Moscow, June 29, (XINHUA)—In an unprecedented display of disagreement at an official Soviet Communist Party gathering, delegates at the party's special conference Tuesday hooted one of several prominent speakers from the podium.

V. K. Belianinov, a secretary of the Moscow City Committee, was hooted down in opening day discussions at the 19th all-union party conference by loud, sarcastic applause. Delegates chided him with applause because he only talked about progress and did not touch on problems in the city's party work.

The 5,000-strong audience, who had been tired of the "nonsense," applauded him until he stepped down from the stage.

In contrast, Leonid Abalkin, director of the Institute of Economics of the Soviet Academy of Sciences, won genuine applause when he raised an objection to Gorbachev's suggestion that first party secretaries should also be chairmen of the soviets.

The suggestion, Abalkin said, is not in accordance with the principles of the multi-candidate elective system and a division of power between the party and government.

One speaker responded to Gorbachev's earlier keynote speech promise that the democratization of the party and government organizations will solve the problem of the Soviet Union's aging leaders.

"A person over 65 should not be recommended as general secretary of the party, chairman of the Council of Ministers or top leader of a union republic," A. Masaliyev, first secretary of the Soviet republic of Kirghiz suggested here Tuesday.

Delegates were most interested in the construction of the party. They thought that party committees should decide their own structure, component and salaries of their members.

Gorbachev Cited on Reform

OW3006081788 Beijing Domestic Service
in Mandarin 1400 GMT 29 Jun 88

[From the "International News and Current Events" program]

[Text] In giving a report on 28 June at the 19th All-Union Party Conference, Mikhail Gorbachev, general secretary of the CPSU Central Committee, drew an attention-grabbing conclusion on the reforms in the Soviet Union in the last few years; that is, it cannot be said that the revolutionary reforms in the Soviet Union have reached the irreversible stage. He therefore stressed that making the reform irreversible is a fundamental problem facing delegates to the conference.

Gorbachev took office as the general secretary of the CPSU Central Committee in the spring of 1985. He said: The 3 years since my taking office as the general secretary of the party Central Committee have been the turning point of the Soviet Union. Because of the reforms we have made in various fields, we have made some major achievements in the past 3 years. We have stopped the economy, the society, and the spiritual life of the people of the country from sliding toward crisis; the entire social atmosphere has changed; innovative thinking has been initiated; and the people's support for the party's policies has become increasingly firmer. Currently, the major problems are: Changes in the economic situation, particularly improvement of the people's livelihood, have been slow; the state's budget deficits have created pressure on the market, which has in turn has caused inflation; resolution of the long-existing problem of the supply of foodstuffs has not been satisfactory; new economic mechanisms have not been completely developed and are still being theorized idly; and the old management model and the management system based on administrative order are still at work.

Gorbachev criticized some of the central and local authorities for refusing to accept the new management system, which goes hand in hand with the process of democratization and the conditions of economic reform. Gorbachev announced in his report that, beginning in 1989, all enterprises in the country are to institute new management methods. To enable the new economic mechanism to be completely developed, Gorbachev emphasized the need to quicken the pace in establishing the system of dealings of production means on a wholesale basis and the need to accelerate reform of the price, financial, and credit loan systems. He said: Currently, many problems are linked to reform of the price structure. Implementation of our economic reform would be seriously complicated if the price structure is not properly reformed. However, reform of the price structure must not affect retail prices. Gorbachev said that reform of the price structure will be carried out no matter how difficult the work is, and no matter how much doubt and

worry it brings. He strongly called for making every effort to solve the long-standing problem of short supply of foodstuffs and daily consumer products.

To Adopt 2 Major Documents

OW2906153788 Beijing XINHUA in English
1419 GMT 29 Jun 88

[Text] Moscow, June 29, (XINHUA)—The Soviet party conference which began here Tuesday will adopt two main documents on the results of reform since the 27th party congress in 1986 and future tasks, and on democratization and political reform.

The Soviet official news agency TASS reported that the conference's editorial commission will draft several resolutions. There will also be separate resolutions on anti-bureaucratism, glasnost (openness), international relations and juridical reform.

There are already two major documents placed before the 5,000 delegates: ten motions put forward by the party Central Committee and the report the party leader Mikhail Gorbachev made at the opening session. Delegates have begun deliberations and various kinds of opinions and suggestions were reflected in their speeches.

According to the rules of the party, resolutions adopted by a party conference will be as binding on the party as those of a party congress which is convened every five years.

Bribe Investigations Demanded

OW3006072388 Beijing XINHUA in English
0641 GMT 30 Jun 88

[Text] Moscow, June 29 (XINHUA)—Delegates attending the Communist Party conference are demanding investigations of allegations that some delegates to the meeting are bribe-taking officials, according to news broadcasts on Soviet central television.

The allegations were reported in the latest issue of the Soviet weekly magazine "OGONEK." It charged that several bribe-taking officials, principally from the Central Asia Republic, "had been elected" delegates because of what it called an imperfect election system.

Other delegates are reported to have demanded that the party conference's credentials committee examine the allegations and report the results of the investigation to the conference.

The OGONEK article was written by Moscow investigator Telman Gdlyan and H. Ivanov, who led a five-year investigation into a ring of corruption and crimes involving party and government officials in Uzbekistan and Moscow.

The article said there have long been organized criminal activities in Soviet republics, including Uzbekistan, Kazakhstan, Tadzhikistan and Turkmenia. Rings of corruption and criminal activity are also being investigated or have been revealed in Moscow and the Ukraine.

According to the article, thousands of "underground millionaires" have enriched themselves by selling official posts, and in the past 20 years, many corrupt officials usurped millions of rubles while remaining in power.

The article also suggested that former Uzbekistan party chief Sharaf Rashidov, who had close links with former Soviet leader Leonid Brezhnev, had masterminded a large ring of official corruption.

To Disclose Antireform Letter

OW3006080688 Beijing XINHUA in English
0725 GMT 30 Jun 88

[Text] Moscow, June 29 (XINHUA)—A Soviet teacher, who triggered a nation-wide debate three months ago by penning what is called an "anti-perestroika manifesto" defending the Stalin era, still sticks to her position and wrote again to the on-going party conference.

Soviet leader Mikhail Gorbachev disclosed that her letter will be read to the conference delegates openly. No details of the letter are yet available.

As the most important party meeting in years enters its second day in the Kremlin, Nina Andreyeva, a Leningrad teacher who wrote a letter to the Soviet newspaper SOVETSKAYA ROSSIYA in March to attack Stalin critics, once again became the focus of attention of some 5,000 delegates debating over a report by Gorbachev.

When noted Soviet actor M. Ulyanov, an advocate of glasnost and press freedom, took the floor, he brought out the case of Andreyeva again and spoke bitterly of the teacher, who he said still holds her former stance.

As Ulyanov spoke, party chief Gorbachev, who himself reportedly organized a major press campaign against what were called anti-perestroika forces encouraged by Andreyeva, cut in and disclosed to the delegates that the presidium of the conference had received a letter from Andreyeva and has decided to make it public.

On March 13, SOVETSKAYA ROSSIYA published Andreyeva's letter, in which she described the present-day Soviet Union as "deviating from the course of socialism" and the criticism of Joseph Stalin as "a distortion and one-sided."

After three weeks of virtual silence over the letter, the Soviet Communist Party newspaper PRAVDA opened fire on April 5 by editorializing against "the ideological platform and manifesto of anti-perestroika forces."

Following the move by PRAVDA, all major Soviet newspapers joined the attack on SOVETSKAYA ROS-SIYA for publishing the letter, fanning a nation-wide debate over the perestroika drive.

The debate also fueled rumors that a major struggle was being waged between Gorbachev and his Kremlin number two, Yegor Ligachev, who is said to be behind the conservative forces.

During today's debate, which features rarely-heard-of clashes of views between various delegates at Soviet party meetings, Georgi Arbatov, director of the institute of American and Canadian Studies, spoke against academician Leonid Abalkin's views that no significant progress has been achieved in the national economy since perestroika was introduced three years ago.

Arbatov, one of Gorbachev's top foreign policy advisers, said that on the contrary, the perestroika drive has resulted in free and creative debate, economic open-mindedness and recognition of the role of the market economy.

Limit of tenures for the top leadership was also one of the topics of debate. While most of the delegates favor a two-term policy for top leaders to stay in office, Ulyanov said all party leaders should stay in office for only one term, except for Gorbachev, who he said may remain as party chief for as long as three terms, because the Soviet leader has much to accomplish during the current perestroika drive.

Ulyanov also urged that the party change its old concept over the role of the press, saying that without the freedom and boldness of the press, both democratization and glasnost will be out of the question.

In his speech today, Gorbachev called for upholding the banner of glasnost, but he warned that like some people in the past who monopolized the propaganda machine, many others are now trying to do the same covertly.

"We cannot replace one form of press monopoly with another," he said. "What we need is truth."

'Sensitive Issues' Debated

OW3006113088 Beijing XINHUA in English
1102 GMT 30 Jun 88

[Text] Moscow, June 30 (XINHUA)—As the Soviet party conference entered the third day of debates, delegates have voiced their different views over some sensitive issues concerning the restructuring of the country's political system.

The central idea guiding the political reform, as indicated in Soviet leader Mikhail Gorbachev's report to the conference, is a redistribution of power between the party and state, with the party playing the leadership role and more powers granted to the Soviets of People's Deputies.

No objection was reported to this principle. However, the proposal of making the first secretary of a party committee also the chairman of a soviet (local government) was not received without dispute.

If the proposal is endorsed by the conference, one delegate said, the situation would be that there will be only one candidate for the chairmanship since there is only one first secretary of a party committee. "How can this agree with the goal of separating the functions of party and government bodies?" He asked.

Another delegate called for competition among several contestants instead of one candidate. Still another said: Why not find a competent enterprise director, an honest journalist or a teacher to do the job?

The most sensitive issue in this regard may be whether the party general secretary will take the post as president of the country's Supreme Soviet. Only one delegate so far explicitly expressed his wish that Gorbachev be granted presidential powers so that he could be in an equal position in negotiations with foreign heads of state like U.S. President Ronald Reagan.

Whenever this issue was raised at news briefings, the conference spokesman always tried to avoid a direct reply. The president will be elected by secret ballot, he repeated, refusing even to hint whether the general secretary is eligible for the top state post.

Another issue on which a heated argument continued is how long an elected party or government official should stay in the post. One of the motions the party Central Committee offered the conference recommends that a two-term (ten years) limit is advisable with a third term as an exception in certain cases. Quite a few delegates wanted the conference to rule out any "exceptions." One of them also suggested that nominees for offices ranging from the party general secretary to government ministers should be no more than 65 years old.

How different views like these are to be reflected in the final solutions of the conference is now a matter of high interest.

'News Analysis' on Conference

OW3006083088 Beijing XINHUA in English
0740 GMT 30 Jun 88

["News Analysis: Can Perestroika Become Irreversible? (By Tang Xiuzhe)"]—XINHUA headline]

[Text] Moscow, June 30 (XINHUA)—The Soviet Communist Party conference is entrusted with the formidable task of seeking ways to deepen reforms, but big hurdles have to be overcome before the process can become irreversible.

A heated floor debate is going on at the All-Union Party Conference on Political and Economic Reforms. In a keynote report opening the gathering, the first in 47 years, Soviet leader Mikhail Gorbachev asked his fellow delegates to make the irreversibility of perestroika (restructuring) a priority.

The Kremlin chief quickly admitted, however, that changes are yet to go into high gear and that "revolutionary transformations" still must become irreversible.

Gorbachev, therefore, called for the following: elimination of deep-rooted sources of stagnation, bringing party bodies up to the requirements of reforms, and fostering enthusiasm and initiatives.

The difficult nature of irreversibility was cited by Valentin Falin, head of the NOVOSTI Press Agency, who told XINHUA in an interview before the opening of the conference that a huge amount of work has to be done on economic and social problems. A lot of old conventions must be removed, he said.

Falin observed that the Soviet Union has not reached even a midway point in its reforms but is only at the beginning.

In his report, Gorbachev called for swift solutions to solve food shortages that are common complaints of Soviet residents. It is believed that an abundant market with a rich assortment of goods will help strengthen the hand of the Soviet leader in convincing people of the correctness of reforms.

Another equally important problem is the elimination of stereotyped economic thinking not in accord with the on-going reforms of finance, material supply, pricing and distribution. All these have been designed to overcome over-centralized management, typified by administrative controls and mandatory directives from the state.

But practices are lagging behind theories. "What have you done for reforms?" Gorbachev asked, trying to hold members of his audience accountable for what they have accomplished for the cause of perestroika. The ensuing thunderous applause may reveal popular support for the Soviet leader's charges that some officials have been "racing" their motors in support of reforms without actually doing anything for the cause.

Principally, what Gorbachev dealt with in his report was the reform of the political system, which he deemed as the most important guarantee of the irreversibility of reforms.

The focus of political reforms, Gorbachev said, is the transfer of powers to the people and their representative bodies. The report also covered a wide range of topics concerning reforms of the state apparatus and political establishments.

Among a package of proposals he submitted to the conference for debate is one stressing the need for a clear demarcation of functions between the party and state bodies and an enhanced role for legislative assemblies, or soviets.

He said the powerful party Central Committee and the ruling Politburo should act as organs of political leadership, and that the Supreme Soviet and the Council of Ministers should act independently of the committee and Politburo.

He also proposed creating a more powerful president of the Supreme Soviet and a new supreme body—the Congress of People's Deputies.

The revamping of the Soviet political system has evoked great interest among the 5,000 delegates, who were encouraged to make their own choices from several proposals. Some of Gorbachev's suggestions were queried.

Many Soviets believe that the political quality and performances of leading officials have an important bearing on insuring the irreversibility of reforms.

At the conference, one of the more established views—with which many would agree—is that self-criticism of mistakes will prove more important than legislation, because laws may be violated or annulled by rulers if no one stands up to raise an objection.

The Moscow news weekly warned in an article on Wednesday that new leaders might blame all problems on their predecessors during a certain period of time, and then be able to develop their own personality cults.

Among the proposals being discussed at the conference is one that will limit leaders to two terms of office and thus help overcome overcentralism and avoid a recurrence of mistakes.

People here now are wondering how far the conference will go in its efforts to make reforms irreversible. One thing is almost certain: the task requires more time and unremitting endeavor.

Soviet Commander in Afghanistan Cited on Pullout
OW3006054588 Beijing XINHUA in English
0119 GMT 30 Jun 88

[Text] Moscow, June 29 (XINHUA)—The commander-in-chief of the Soviet forces in Afghanistan today said the Soviet Union has the right to rearrange its troop pullout timetable and change its stance towards the troop withdrawal if Pakistan continues to assist the Afghan rebels.

Speaking at a press conference in Moscow, Lieutenant General Boris Gromov also reaffirmed that the Soviet Union will continue to provide military aid to the Kabul regime in accordance with long-term bilateral agreements.

If Soviet leaders think it necessary to change the timetable for the troop withdrawal, Gromov said, he will resolutely execute the orders. But troop withdrawals are still going on in accordance with the original timetable, he said, adding that since May 15, the Soviet Union has pulled out a total of 20,000 troops.

However, Gromov's figure is smaller than the figure claimed in a broadcast by Radio Moscow on June 15 putting the number of troops withdrawn at 25,000.

Asked to comment on recent official Soviet reports that it was a mistake to invade Afghanistan, Gromov said he had never read such articles and he thought the invasion was correct at that time, although he did admit to mistakes in tactics and battle strategy.

The lieutenant general said he believes that civil war will not break out in most of the Afghan provinces after Soviet troops have been completely withdrawn, but he suggested that he is still worried about the situation in that country.

Gromov is in Moscow to attend the 19th Soviet Communist Party conference, one of only two delegates representing the Soviet forces in Afghanistan. He first arrived in Afghanistan in 1980 and was promoted to Soviet commander-in-chief in Afghanistan a year ago. He will return to Afghanistan immediately after the Soviet party conference.

Akhromeyev Cited on Troop Pullout From Europe
OW2806020188 Beijing XINHUA in English
1504 GMT 25 Jun 88

[Text] Moscow, June 25 (XINHUA)—The Soviet Union will withdraw its troops from some East European countries if Washington and London agree to pull their soldiers out of West Germany, Soviet Marshal Sergey Akhromeyev said today.

But he dismissed the possibility that his country may also withdraw troops from four northern islands (?disputed) with Japan.

At a press conference here today, Akhromeyev said the Soviet Union will not carry out a unilateral troop withdrawal from East Europe because the United States still holds many military bases in the region.

If the United States and Britain agree to pull their troops out of West Germany, he said, the Soviet Union will call its troops back home from some East European nations.

The Soviet marshal, also chief of the general staff of the Soviet Armed Forces, however dismissed categorically any possibility that his country might withdraw troops from the four disputed northern islands, located off the northeastern part of Japan's Hokkaido.

Originally part of the Japanese territories, the islands, Kunashiri, Etorofu, Habomai, and Shikotan, were occupied by the Soviet Union in September 1945 after World War II.

Japan has been demanding that Soviet troops withdraw from the islands and that the islands be returned, but the Soviet Union has repeatedly rejected the Japanese demand.

Akhromeyev told the press conference that the Soviet Union has so far pulled some 20,000 soldiers along with 3,000 pieces of combat equipment out of Afghanistan as the troop withdrawal continues as planned.

He also announced that the Soviet Union and the United States will begin to eliminate their intermediate-range nuclear forces (INF) in August under the accord signed last December.

Akhromeyev said the two countries will begin mutual inspections on July 1 following preparations on all the equipment and facilities in both the Soviet and U.S. territories for the check-up by each side.

The INF treaty, signed by Soviet leader Mikhail Gorbachev and U.S. President Ronald Reagan in Washington last December, envisages the scrapping of all Soviet and American missiles with a range of 500 to 5,500 kilometers in 3 years. Gorbachev and Reagan exchanged instruments of ratification of the treaty during their fourth summit in Moscow 3 weeks ago.

Akhromeyev said the Soviet Union is completing preparations for the next round of strategic arms reduction talks in Geneva, which will start on July 12.

The Soviet Union and United States have agreed to cut their strategic nuclear arsenals by half, but no major breakthroughs have been made so far in their negotiations in Geneva.

Northeast Asia

Newspaper Column Views Sino-South Korean Trade
HK3006060588 Hong Kong CHENG MING in Chinese
No 129, 1 Jul 88 p 17

[Report from the "Reference News" column by Tai Kuan (2071 1351): "The Highest Leadership Stratum of the CPC Hold Meeting to Decide That China May Carry Out Direct Trade With South Korea"]

[Text] Economic and trade relations between China and South Korea have continued to develop. Shandong, Liaoning, Jilin, and other provinces have actively urged

direct trade with South Korea. An economic delegation from Jilin Province visited South Korea on invitation via Hong Kong to act as go-between and help enter into direct trade relations. According to well-informed sources from the Ministry of Foreign Economic Relations and Trade, a meeting was held recently at the central level to discuss the issue of trade between China and South Korea. It was decided that direct trade could be carried out, but it should be gradually developed by various provinces to avoid rushing into things.

This will be an important breakthrough in the relations between China and South Korea, and will greatly benefit the economic development of the two countries. This will also have an important bearing on the stability, peace, and development in the northeastern part of Asia. It seems as if Beijing has notified, or let the highest stratum of North Korea know, of this matter. Now the conditions for direct economic and trade relations between China and South Korea are ripe. This is also a common desire of both sides.

Vice Premier Wu Meets Japanese Corporate Official
OW2906224088 Beijing XINHUA in English
1036 GMT 29 Jun 88

[Tex] Beijing, June 29 (XINHUA)—Chinese Vice-Premier Wu Xueqian met Seizo Ota, president of the Toho Mutual Life Insurance Company of Japan, and his party here this afternoon.

Wu thanked Ota for his efforts to promote bilateral cooperation between the Toho Company and the People's Insurance Company of China.

He expressed the hope for the further development of such cooperation.

This evening, the Toho Company gave a reception in the Great Hall of the People, marking the 90th anniversary of the establishment of the company. Gu Mu, vice-chairman of the National Committee of the Chinese People's Political Consultative Conference, was present on the occasion.

Ota arrived here June 26 at the invitation of the Association for International Understanding of China.

Japanese Firm Charged With Export Violation
HK2906112788 Beijing CEI Database in English
29 Jun 88

["Two Japanese Firms Involved in Trade With China Victimized"]

[Text] Tokyo (CEI)—A Japanese firm involved in trade with China has been forbidden to do business with other countries in the month following July 1, the Japanese Ministry of International Trade and Industry announced June 24.

The ministry said that the firm had violated regulations set by the Co-ordinating Committee for Export to Communist Countries and exported high-tech products to China.

On April 5, the Japanese police searched this and another Japanese firm for being suspected of having "illegally" exported high-tech equipment to China.

Sources here noted that these incidents will obviously interfere with the normal trade between the two countries.

Chinese Builders Seek 'Fair' Treatment in Japan
OW2906233988 Beijing XINHUA in English
0706 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)—China is urging the Japanese Government to allow Chinese construction companies to participate in contracting for construction projects in Japan, according to today's "CHINA DAILY".

Chinese foreign trade officials have become impatient and unhappy about Japan's hesitation to permit Chinese construction companies into Japan while a stream of Japanese construction contractors have worked on a number of projects here in China, the paper said.

The huge Japanese construction project contracting market has been opened to the American and South Korean construction contractors, yet it still closes its door to Chinese companies. "This is really unfair," a commentary in the newspaper "INTERNATIONAL BUSINESS" pointed out.

And moreover, Chinese officials said, Japan, China's number one trading partner, still maintains a surplus as high as 3.7 billion U.S. dollars in its trade with China. They said if Japan could let the Chinese contractors into its construction market, it would definitely be helpful for China to reduce the deficit.

At present, two major Chinese project contracting companies have applied to the Japanese authorities for permission to bid on two key Japanese projects—a highway and an international airport. Many Japanese companies and banks have reportedly expressed their willingness to co-operate with the Chinese companies.

However, a question mark still hangs over the slim possibility of Japan allowing the two companies in because the Japanese side considers the Chinese construction companies still lack experience and a reputation in the global construction contracting markets, the newspaper said.

The China State Construction Engineering Corporation and the China Civil Engineering Corporation who have applied for permission to bid in Japan are experienced firms and have good reputations on the world contract project markets, according to the newspaper.

To put pressure on the Japanese Government, a senior official from the Chinese Ministry of Foreign Economic Relations and Trade met twice with a senior official from the Japanese Embassy in Beijing, urging the Japanese side to be fair in its treatment of China.

The Japanese official reportedly replied that its markets for construction are open to foreign construction contractors, he cited the Japanese laws as saying any foreign companies that want to do business in Japan are allowed to contract for ordinary construction projects provided they get approval from and register with the departments concerned in Japan.

He said as for the public construction facilities wholly funded by the Japanese Government, only the companies that have made achievement in Japan could be selected for bidding, according to the newspaper.

The Chinese officials said only if the Japanese Government allows Chinese companies to enter the Japanese market will they possibly be able to make achievements.

Thus he said he hopes Japan could provide Chinese companies with convenience of approving their applications as quickly as possible to promote the further development of Sino-Japanese economic relations.

In fact, the construction companies in both countries have been cooperating for some time in certain projects and have done well. But the projects contracted jointly by Chinese and Japanese companies are mainly in a third country or in China, the official said.

Commentary on Growth in Japan's Defense Budget
OW2906125488 Beijing in Japanese to Japan
0930 GMT 20 Jun 88

[Station commentary: "Noteworthy Moves"]

[Text] On 10 June Japanese Defense Agency [DA] Director General Kawara announced his plan to visit Indonesia and Singapore from late this month to early next month. In this connection, KYODO News Service reported that the purpose of Mr Kawara's forthcoming overseas tour is to explain to the two countries the reason for increasing Japan's defense spending, in order to rid the two nations, which are members of ASEAN, of their concern that Japan may again become a military power.

The next day, on 11 June, however, DA Director General Kawara, speaking on the Japanese defense problem at a meeting in Fukuoka, publicly declared that Japan need not grudge money for defense. Commenting on this, JIJI Press said that Director General Kawara's statement was meant to emphasize that there should be no limit on Japan's defense outlays. This is a noteworthy development in Japan's defense spending since it surpassed 1 percent of the gross national product, or GNP, in 1987.

Twelve years ago, in 1976, the then-Miki cabinet adopted a resolution saying that, as a guideline for the time being, defense spending should not exceed 1 percent of GNP. This was designed to eliminate apprehensions at home and abroad that sharp increases in defense spending might lead to a revival of militarism. However, the Nakasone cabinet—which actively pursued a policy of carrying out a general overhaul of postwar politics—broke the 1 percent of GNP framework, and now the incumbent DA director general is openly calling for revocation of all limitations on defense spending and an increase of military outlays. Such an escalation in Japanese defense spending cannot but arouse wariness among people of all countries, especially among the Asian nations, which suffered tragically from Japanese aggression in World War II.

The growth in GNP of Japan, which has become a mighty economic power, has been fast. Even during the 10-year period from 1976 to 1986, when the 1 percent of GNP limit was observed, defense spending actually doubled. Since it exceeded 1 percent of GNP in 1987, defense spending increased 5 percent in 2 consecutive years; and currently Japan's defense expenditure amounts to \$27 billion—third in the world, after the two superpowers.

With regard to the increase of Japanese military spending, U.S. Ambassador to Japan Michael Mansfield has been saying for many years that no country in the world can match Japan in terms of growth of military spending, if measured by the computation method used by NATO and the United States.

Referring to Japan's exceeding the 1 percent of GNP limit in military spending, former U.S. Secretary of State Henry Kissinger predicted that, should Japanese military spending continue increasing at this rate, Japan will very likely be following a course of rearmament before the year 2000. Therefore, it is obvious what the result would be if Japan took the road of not grudging money for defense, as advocated by DA Director General Kawara.

Besides increasing its defense spending, some of Japan's other actions have also deepened people's worries. For a number of years, the Japanese DA has consistently been striving to step up its defense posture. According to a definition of post-World War II relations, the mission of the Japanese Self-Defense Force was to maintain a defense intended exclusively for self-defense purposes. However, in 1985 the Japanese Government extended its strategic defense from land to sea, and subsequently the DA spelled out a seaborne air defense plan and formulated a 1,000-nautical-mile sealane defense policy. All this goes far beyond the requirements for defense of the Japanese mainland.

In addition, Japanese financial circles have decided to involve themselves in Japan's defense problem. The

influential Japan Committee for Economic Development has indicated its intention to inaugurate a Japan security training institute and promote wide-ranging studies on the security question, including defense spending.

In this connection, an interested Japanese source believes that, if Japanese financial circles, which have tremendous economic power, should support the Japanese military, which is burning with ambition, Japan's defense potential will be quickly reinforced.

Under these circumstances, it may be safe to say that, despite DA Director General Kawara's intentions when he tours Southeast Asia, it will be difficult to clear away the people's concern about increases in Japanese military spending.

Southeast Asia & Pacific

Wu Xueqian Meets Indonesian Delegation

*OW2906123388 Beijing XINHUA in English
1215 GMT 29 Jun 88*

[Text] Beijing, June 29 (XINHUA)—Chinese Vice-Premier Wu Xueqian said here today that China attaches importance to developing its friendly relations with Indonesia.

There exists a traditional friendship between China and Indonesia, Wu said at a meeting with Sukamdani S. Gitosardjono, president of the Indonesian Chamber of Commerce and Industry (KADIN), and his party.

KADIN, Indonesia's biggest national commercial organization, signed a memorandum of understanding with the China Council for the Promotion of International Trade in 1985 in Singapore, thus resuming direct trade between the two countries.

Wu said he is pleased with the development of the bilateral direct trade in the past three years.

As both countries are striving to develop their national economies, he said, they need to strengthen their trade and economic cooperation.

Wu said that trade between China and Indonesia can be furthered if the two countries normalize their diplomatic relations.

Gitosardjono shared Wu's views, saying that KADIN will spare no efforts in promoting the bilateral direct trade.

He said that his "fruitful talks" with the Chinese high-ranking officials and enterprise leaders in the past three days have demonstrated to him good prospects for developing the bilateral trade.

KADIN has accepted an invitation from the China Council for the Promotion of International Trade to attend the international trade fair to be held in Beijing next year.

Gitosardjono and his party arrived here June 26.

Goodwill Delegation on 1-Week Visit to Burma

*OW3006003688 Beijing XINHUA in English
0735 GMT 29 Jun 88*

[Text] Rangoon, June 29 (XINHUA)—A Chinese goodwill delegation led by Huang Shiming, vice-president of the Chinese People's Association for Friendship with Foreign Countries, arrived here this afternoon for a one-week visit to Burma.

The eight-member Chinese delegation will visit factories, schools, colleges, the Center of Agricultural Development and the Central Institute of Political Science (party school) here.

The Chinese Delegation is also to visit Taunggy, capital of Shan State, and Mandalay, the second biggest city, as well as Pagan, a place famous for its historical pagodas.

Philippines Aims To Balance Trade Figures

*OW3006053388 Beijing XINHUA in English
1517 GMT 29 Jun 88*

[Text] Manila, June 30 (XINHUA)—The Philippines is to correct within 3 years its trade imbalance with its trade partners, Trade and Industry Secretary Jose Concepcion said today.

Initially, Concepcion said the country is fielding 13 new export development officers, who would concentrate in promoting local exports and close business deals with foreign importers in their respective posts.

The Philippines has negative trade balance with Australia, Brazil, Brunei, China, Indonesia, Japan, Malaysia, and 18 other countries.

Concepcion admitted the lack of export development officers abroad has contributed to sluggish export performance for the past few years.

The Philippines export receipts showed a down trend for the past years, reaching 5.7 billion U.S. dollars in 1987. It suffered a trade deficit of nearly 1.0 billion U.S. dollars last year.

The Philippines has 42 trade attaches, but only 33 are assigned in different countries. It has no trade attache in socialist countries, except for one who is assigned in China.

The new export development officers would complement the trade attaches in what Concepcion considered a fresh approach to push Philippine exports. More export development officers would be assigned in the future.

He said the enhancement of export products is part of the country's goal to become a newly industrialized country by the year 2000.

Concepcion said he expects export receipts to double by 1992, reaching the 10 billion U.S. dollars mark.

The nation's export receipts declined after it suffered the worst post-war economic crisis starting in 1983. It somewhat recovered after the administration of President Corazon Aquino took over in 1986.

Sihanouk Outlines Position on Jakarta Talks
OW2906192488 Beijing XINHUA in English
1842 GMT 29 Jun 88

[Text] United Nations, June 29 (XINHUA)—President of Democratic Kampuchea Prince Norodom Sihanouk, declaring his government's position on the coming Jakarta informal meeting, has again urged Vietnam to immediately begin direct talks with the Coalition Government of Democratic Kampuchea (CGDK).

Vietnam should "join in the proposed Jakarta informal meeting as soon as possible, preferably the same day as promised by Mr Nguyen Co Thach, to start the talks" with the CGDK, Sihanouk said in a statement contained in a letter to U.N. Secretary-General Javier Perez de Cuellar.

The letter, made available here today, asked the U.N. chief to have the statement circulated as an official document of the U.N. General Assembly.

Dated June 25 and signed jointly by Sihanouk, CGDK Prime Minister Son Sann and CGDK Vice President Khieu Samphan, the statement said that the talks between the CGDK headed by Sihanouk and Vietnam should be "aimed at putting an end to the war in Kampuchea through the complete withdrawal of foreign troops from Kampuchea."

It was reported that the four Khmer factions and Vietnam will attend an informal meeting in Jakarta some time in July.

The CGDK's statement also reaffirmed that Sihanouk's three-point position should be the basis of discussion with Vietnam at the Jakarta informal meeting.

First of all, vietnam must pull out all its forces from Kampuchea "in three phases under international supervision."

At the end of the second phase of the Vietnamese withdrawal, the statement said, the Phnom Penh regime and the state of Democratic Kampuchea should be simultaneously dissolved, to be followed by the formation of a provisional quadripartite government under the leadership of Prince Sihanouk.

The provisional quadripartite government will be entrusted with the task of organizing free, direct and general elections, under international supervision, of a constituent assembly to work out the state constitution, the statement said.

The name of the state, the national flag and anthem, and the political regime as well as the administrative, judiciary, economic, financial, social, cultural, educational and press systems of the country would be determined in the state constitution, it added.

Vietnam invaded Kampuchea in 1978 and now maintains about 180,000 military troops there.

The statement also calls for an international conference participated in by countries concerned and the five permanent members of the U.N. Security Council, so as to "guarantee the arising agreement and the independence, neutrality and territorial integrity of Kampuchea."

Near East & South Asia

CPC'S Li Ximing Interviewed on Mideast Issues
PM2906100988 Damascus AL-BATH in Arabic
17 Jun 88 p 3

[Report on Interview with Li Ximing, "member of the CPC Politburo and secretary of the Beijing Committee," by Fawzi al-Jawdah; place, date not given]

[Excerpts] At the invitation of the Arab Socialist Ba'th Party Regional Command, a CPC delegation headed by Comrade Li Ximing, member of the CPC Politburo and secretary of the Beijing Committee [titles as published], has been paying a visit to the country. Comrade Ximing began his interview by expressing his feelings about his meeting with Comrade Combatant Hafiz al-Asad, general secretary of the Arab Socialist Ba'th Party and president of the republic. He said: The meeting was both important and useful. We heard the president express his appreciation of friendship with China and its people as well as of the peoples' cooperation and unity on the road of struggle for liberation, progress, and development. [passage omitted]

Both the CPC and the Chinese Government are extremely interested in developing the relationship of friendship and cooperation with Syria, since we all belong to the Third World, suffering the same problems and facing the common task of developing our national

economies and maintaining world peace. Since diplomatic relations between China and Syria were established 30 years ago the relationship between the two countries has witnessed comprehensive developments in the political, economic, and cultural fields. [passage omitted]

We have held party talks with an Arab Socialist Ba'th Party delegation headed by Comrade Sami al-'Aatari, during which we exchanged views in an open and friendly atmosphere over the situation in the Middle East and issues of common interest. We presented identical views over many important issues. We signed an agreement for cooperation between the two parties for the year 1988/1989. The visit has been completely successful. The two sides believe that reciprocal visits help develop friendly relations between the two parties, the two countries, and the two peoples. [passage omitted]

We appreciate Syria's role at the international level, especially its adoption of stands hostile to imperialism and colonialism, as well as nonalignment and opposition to the aggressive and expansionist policy of Israel and in addition to its support for the just cause of the Palestinian people.

China, both party and government, support the just cause of the Palestinian Arab people against Israeli aggression and expansion. We have always believed that the Palestinian problem is the crux of the Middle East problem. Israel's commitment to its aggressive, expansionist policy as well as its refusal to withdraw from the occupied Arab territories and recognize the national rights of the Palestinian people and the PLO represent the main obstacle preventing a solution to the Middle East problem. China is still committed to its stand, namely that Israel must withdraw from all the Arab territories it occupied in 1967, and that the national rights of the Palestinian people, including their right to self-determination, must be restored.

China believes that the Fes summit resolution laid down a realistic and reasonable basis for a just settlement to the Middle East problem. We support the idea of convening an international conference on the Middle East under UN auspices in order to find a just and reasonable solution to the Middle East problem. And the PLO, in its capacity as the legitimate representative of the Palestinian people, has the right to participate in the conference on equal terms. China, in its capacity as a permanent member of the Security Council, intends to continue its efforts to help convene this conference as soon as possible.

Last December the Israeli authorities sent large numbers of soldiers and policemen to torture and suppress Palestinian citizens residing in the West Bank and the Gaza Strip in a savage way, killing and wounding a large number of people. Such barbaric attitudes encountered widespread condemnation and opposition from the international community. The oppressive force cannot

intimidate the Palestinian people, who are maintaining a brave resistance in defense of their existence and thus winning widespread sympathy and support from the international community. The CPC, the Chinese Government, and the Chinese people firmly support their struggle, strongly condemn the barbaric practices of the Israeli authorities, and demand that they immediately stop torturing and repressing Palestinian citizens.

Soviet General Cited on Afghanistan Troop Pullout
OW2906190788 Beijing XINHUA in English
1745 GMT 29 JUN 88

[Text] Kabul, June 29 (XINHUA)—More than 32,000 Soviet troops have been withdrawn from Afghanistan as of Tuesday, Soviet Major General A. Zakharov said here today.

In a joint press conference with an Afghan General Zabihullah Ziarmal at the Kabul Foreign Ministry, Zakharov said the withdrawn troops include more than 12,000 workers and employees serving the Soviet forces.

Zakharov, who heads the Political Department of the Soviet forces in Afghanistan, said the Soviets have withdrawn from five more provinces—Paktia, Paktika, Konarha, Nangarhar and Zabol—since the implementation of the Geneva accords on May 15. That brings to 18 the number of provinces without Soviet troops.

He said that Soviet forces have evacuated nine garrisons in the provinces and have taken all military hardware with them to the Soviet Union. But they left behind other permanent facilities for the Afghan Government forces, which Zakharov said are capable of defending themselves.

He pledged that all Soviet forces will be withdrawn in two phases according to the Geneva accords. Before the first phase ends on August 15, the Soviets will pull out of four other provinces, including Qandahar where fierce fighting continues. The Soviet general said this is contingent on all sides abiding by the accords.

Zakharov added that the Soviets will leave the remaining eight Afghan provinces in the second phase that ends next February.

He said that there have not been any attacks by the mujahidin guerrillas during the withdrawal.

Answering a XINHUA question, Zakharov confirmed that the Soviet troops will evacuate Badakhshan Province, including the Vakhn Corridor bordering China, before August 15.

Afghan General Zabihullah Ziarmal, head of the Political Department of Kabul's Defense Ministry, said that Afghan Government forces are independently fighting the resistance guerrillas in more than 10 provinces.

He said that more than 2,000 people have been killed or wounded in these battles since May 15.

The Afghan general said Afghan Government forces are "powerful" because they are equipped with modern Soviet weapons and enjoy Soviet assistance.

During the press conference, the boom of artillery fire was heard, but nobody was alarmed by this common occurrence here.

Afghan Guerrillas Destroy Ammunition Depot
OW3006071288 Beijing XINHUA in English
1554 GMT 29 Jun 88

[Text] Islamabad, June 29 (XINHUA)—A large ammunition depot in the Soviet military base at Bagram Airfield in north of Kabul was totally destroyed and almost 10 Soviet planes were damaged in a big explosion conducted by Afghan resistance forces recently, the AFGHAN NEWS AGENCY (ANA) said here this evening.

This is considered to be the biggest loss for the Soviet-Kabul regime following last Friday's explosion and fire at the Kabul Airport in which 7 Soviet aircraft were destroyed and 28 Soviet troops were killed on the spot, ANA said.

The Afghan resistance forces have conducted an effective joint offensive against the capital city of Logar Province in south of Kabul in the past few days and succeeded in wiping out the military posts around the city, ANA further said.

Afghan Mujahideen, Soviets Exchange Prisoners
OW2906134688 Beijing XINHUA in English
1734 GMT 28 Jun 88

[Text] Islamabad, June 28 (XINHUA)—A Soviet commander in Afghanistan has recently exchanged seven mujahideen (freedom fighters including a commander for one captured Soviet soldier, the Afghan Media Resource Center (AMRC) said here today.

The exchange took place early on the morning of June 17 at Chehel Zina, five kilometres west of Qandahar City about 450 km southwest of Kabul.

Soviet soldier Patakhunov Abdul Aziz, 20, was a tank crewman when he was captured in Qandahar Province three months ago by mujahideen.

"I have been fighting in Afghanistan for two years. My tank was hit by mujahideen in Qandahar Province. The mujahideen captured me in a ditch," Abdul Aziz said, adding that he was happy to be exchanged.

The Soviet commander initiated the exchange, AMRC quoted the mujahideen as saying.

There have been a number of prisoners exchanges in Afghanistan and all have been requested by the Soviet and Kabul side in a bid to ease the worried families of Soviet soldiers in Afghanistan, the mujahideen said.

According to the Soviet side, about 311 Soviet soldiers are still missing. Moscow has asked Pakistan and international organizations to locate and release them.

Egyptian Press Criticizes U.S. Smuggling Charges
OW2806045688 Beijing XINHUA in English
1414 GMT 26 Jun 88

[Text] Cairo, June 26 (XINHUA)—Egyptian leading newspaper "AL-AHRAM" today accused the U.S. of harming U.S.-Egyptian relations by charging Egyptians with smuggling military materials into their country.

"AL-AHRAM" in its commentary published today said that "Egyptian institutions have never been used to violate rules, to perform espionage or to steal U.S. confidential military documents from the Pentagon or from elsewhere".

"It is well known that the American market is open for the purchase and exportation of all strategic commodities", "AL-AHRAM" said, "and it might be far from the knowledge of some people that they must get a pre-license to export."

The U.S. "WASHINGTON POST" reported yesterday that the U.S. Justice Department issued a statement charging five persons, including two Egyptian officers, with attempting to smuggle military materials, including carbonic fibers, a light heat-resistant material used in the manufacture of missile heads, into Egypt aboard an Egyptian aircraft at Baltimore Airport, east of Washington.

U.S. customs officials said that the five smugglers, four of whom were arrested at Baltimore airport, were discovered to bring with them a box of 200 kilograms of military technical material, including the above-mentioned carbonic fibers. The Justice Department statement said the transfer of the materials to Egypt is a violation of the U.S. law on exportation.

The U.S. State Department summoned an Egyptian diplomat at the Embassy in Washington on Friday night asking for an explanation for the matter.

The Egyptian Foreign Ministry has also made contact with the U.S. Administration to get acquainted with the circumstantial evidence of the incident, according to the MIDDLE EAST NEWS AGENCY.

The American ambassador to Cairo stated Saturday that Egyptian-American relations were extremely important and that the issue could be managed.

Sub-Saharan Africa

Li Guixian Meets African Bank Officials

OW2906183188 Beijing XINHUA in English
1043 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)—Chinese State Councillor and Governor of the People's Bank of China Li Guixian met and hosted a banquet for Babacar N'Diaye, president of the African Development Bank, and his party here tonight.

Shanghai's Mayor Briefs Ethiopia's Mengistu

OW2906123588 Shanghai City Service
in Mandarin 2200 GMT 25 Jun 88

[Text] During his meeting with President Mengistu of the People's Democratic Republic of Ethiopia at the Hongqiao Guesthouse on the evening of 25 June, Shanghai Mayor Zhu Rongji said: While carrying out reforms and opening to the outside world, Shanghai needs to further strengthen its international cooperation. Shanghai also wishes to strengthen cooperation with Ethiopia in economic, technological, and other fields.

Accompanied by Zeng Xianlin, head of the reception committee and minister of Light Industry, President Mengistu and other distinguished Ethiopian guests arrived in Shanghai from Hangzhou on the evening of 25 June. Mayor Zhu Rongji and Vice Mayor Gu Chuanxun greeted the guests at the airport.

In the same evening, Mayor Zhu Rongji gave a banquet to warmly welcome President Mengistu. At the banquet, Mayor Zhu briefed the President on Shanghai's recent developments. He said: One of the objectives of Shanghai's current economic structural reform is to revitalize large- and medium-sized enterprises. The way to attain this goal is to implement the contract-responsibility system, define clearly the tasks of enterprises, and encourage enterprises to exceed their production targets by letting them retain the above-quota part of their production. In addition, Shanghai should open wider to the outside world, import foreign technology, and set up a large number of Chinese-foreign joint ventures. Currently, foreign investment in Shanghai amounts to \$1.8 billion U.S. dollars. We hope we will draw in as much as \$10-\$20 billion U.S. dollars in foreign investment in the near future to better develop Shanghai.

President Mengistu told Mayor Zhu: The relations between Ethiopia and China, as well as between the two peoples, are developing at present. We hope that Shanghai will play a bigger role in the development of these relations.

West Europe

Portuguese Foreign Minister Arrives in Beijing

OW3006100788 Beijing XINHUA in English
0941 GMT 30 Jun 88

[Text] Beijing, June 30 (XINHUA)—Portuguese Foreign Minister Joao de Deus Pinheiro arrived here today on an official, friendship visit at the invitation of his Chinese counterpart Qian Qichen.

Pinheiro, the first Portuguese foreign minister visiting China, was met at the airport by Chinese Vice-Foreign Minister Zhou Nan.

During his week-long visit, Pinheiro is scheduled to confer with Chinese Foreign Minister Qian Qichen. They will discuss bilateral relations and international issues of common interest.

After visiting Beijing, Pinheiro will tour Shanghai and Guangzhou before leaving for Macao.

Vice Premier Meets Italian Trade Minister

OW2906183588 Beijing XINHUA in English
1042 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)—Chinese Vice-Premier Wu Xueqian met here today Italian Minister of Foreign Trade Renato Ruggiero and his party.

Wu and Ruggiero exchanged views on the Sino-Soviet and U.S.-Soviet relations as well as on reforms in China and the Soviet Union.

Chen Muhua, vice-chairman of China's National People's Congress Standing Committee, also met Ruggiero here this afternoon. Ruggiero called on Chinese Foreign Minister Qian Qichen here this morning.

Sino-Italian Trade Volume Continues To Grow

HK2906112388 Beijing CEI Database
in English 29 Jun 88

[Text] Beijing, (CEI)—For the first four months of this year Sino-Italian trade volume totalled 600 million U.S. dollars, up 13.9 percent over the same period last year. China's imports were valued at 380 million U.S. dollars while its exports were 220 million U.S. dollars.

This was announced by Chinese minister of Foreign Economic Relations and Trade Zheng Tuobin here yesterday at the fifth session of the China-Italy Committee on Economic Cooperation.

He added that the volume of Sino-Italian trade in 1987 reached 1.8 billion U.S. dollars, up 20 percent over the 1986 figure.

He noted that the Sino-Italian trade has been on the rise in recent years. Italy has become China's second largest trade partner in Western Europe since 1985.

Despite China's deficit of 680 million U.S. dollars in its trade with Italy last year, Zheng said, China and Italy have further expanded their trade this year.

Italian Minister of Foreign Trade Renato Ruggiero disagreed with the Chinese minister about the figure for 1987 Italy-China trade. He said that Italy takes entrepot trade as part of the Italy-China trade and the 1987 volume of trade between the two countries was 2.2 billion U.S. dollars, with only a surplus of 66.7 million U.S. dollars for Italy.

He asked China to increase its export of silk filament to Italy since China is the sole supplier of this product to Italy.

It is learned that China and Italy have signed three three-year cooperation agreements since 1981. The agreements cover 120 projects involving a total investment of two billion U.S. dollars.

Up to now, over 40 Italian firms have opened offices in Beijing. However, the Italians have so far made very little investment in China. Of the 10,008 approved foreign-funded enterprises set up in China since 1979, there are only 16 Sino-Italian joint ventures.

'Close Cooperation' With Viennese Police Slated
AU2906161188 Vienna NEUE KRONENZEITUNG
in German 29 Jun 88 p 10

[Text] Viennese police and Chinese authorities will begin close cooperation soon. In view of a rapid increase in the number of tourists and cars, Chinese police authorities have been seeking advice and help from their Austrian colleagues. Cooperation in the field of public safety between Austria and China already existed some 50 years ago, when 1,000 Chinese police were trained in Vienna. Recently, Police President Boegl delivered three lectures in Beijing, explaining why Vienna is one of the safest cities in Europe and thus especially attractive for tourists. He also reported on his experience with constantly increasing traffic and described the measures necessary to protect art treasures. The Chinese are also confronted with all these problems. As early as next fall, a delegation from Beijing will come to Vienna for further advice.

U.S. To Base Additional Bombers in Britain
OW2906202488 Beijing XINHUA in English
1050 GMT 29 Jun 88

[Text] London, June 29 (XINHUA)—More than 50 extra U.S. F-111 bombers will be stationed in Britain by the end of next year or early 1990, an American general has confirmed.

General William Kirk, commander in chief of U.S. Air Forces in Europe, was quoted by the latest issue of JANE'S DEFENSE WEEKLY magazine as saying that the extra bombers, in contrast to those already in Britain, will be equipped with air-launched cruise missiles.

Britain has reportedly agreed in principle to take more American bombers in the wake of the superpower intermediate nuclear forces (INF) treaty eliminating land-based medium-range missiles.

There are now 150 American F-111 aircraft based in Britain.

Some 51 F-111s, currently operated by the U.S. Strategic Air Command from bases in New York and New Hampshire, will be modified to carry the cruise missiles and reassigned to the U.S. Air Force in Britain, probably to bases such as Lakenheath in Suffolk, England.

The combination of the new F-111s and the cruise missiles will expectedly allow NATO commanders to launch nuclear attacks against all the targets now covered by ground-launched cruise missiles and Pershing-2's, which will be scrapped under the INF treaty.

The move is seen by Britain's opposition Labor Party as undermining the spirit of the INF treaty.

EC Summit Ends, Panel To Study Monetary Union
OW2906163388 Beijing XINHUA in English
1542 GMT 28 Jun 88

[Text] Hanover, June 28 (XINHUA)—The 39th European Community (EC) summit ended here this afternoon with a decision to set up an expert panel to study prospects for a monetary union in the 12-nation European Community.

The decision is being viewed as a breakthrough on the way to creation of an economic and monetary union.

The two-day summit also reviewed recent EC developments toward European integration and offered principles for future tasks.

At a press conference after the summit, Federal German Chancellor Helmut Kohl, the summit host, said he was satisfied that the meeting allowed the 12 EC leaders for the first time to study policies instead of squabbling over technical problems.

Kohl said that the integration of the Community has developed to "an irreversible stage," and expressed hope that all EC members would work further to build the planned internal single market.

Jacques Delors, president of the European Commission, told the news conference that the summit was held in "good material conditions and a good spirit atmosphere."

Referring to the creation of a monetary union, Delors said that although some member states want to "walk slower" while others hope to go farther, "all are willing to march toward the goal."

A report issued at the conclusion of the summit put forward principles for building the internal market, coordinating policies on social and environmental protection and prospects for the creation of monetary union.

The summit also issued a political statement, which involves East-West relations, Afghanistan, the Middle East, southern Africa and Latin America.

The EC countries pledged to continue playing "an active role" in East-West relations and the disarmament process. They welcomed the establishment of ties between eastern Europe and the Community.

The European Council called on all concerned parties to "implement fully the peace process set out by the Geneva agreement on Afghanistan." It also expressed concern at the increase in tension in the Middle East.

East Europe

Hungary To Pursue Open Policy With West, Asia
OW2906093388 Beijing XINHUA in English
0218 GMT 29 Jun 88

[Text] Budapest, June 28 (XINHUA)—Hungarian leader Karoly Grosz Monday said that in promoting ties with other nations in the future [as received], Hungary will give first priority to opening to advanced capitalist countries and Asia, the newspaper MAGYAR NEMZET reported today.

Since the beginning of this year, Hungary has been pursuing a policy of opening more to the West.

Two weeks ago, Grosz told a group of architects that the country should adopt a more flexible attitude towards advanced capitalist countries in a bid to boost the economy.

Hungary's foreign debt, at 18 billion dollars, is the highest per capita debt in the East Bloc.

Grosz, who became the ruling Hungarian Workers' Party general secretary in May, is scheduled to visit the United States in July and will later travel to Austria and other Western countries.

Romania Acts Against Hungarian Ethnic Protests

Mass Rally Denounced

OW2906063288 Beijing XINHUA in English
0534 GMT 29 Jun 88

[Text] Bucharest, June 28 (XINHUA)—Romanian leader Nicolae Ceausescu today denounced Hungarian protests against Bucharest's resettlement plans and said "We would not allow anyone to interfere in our internal affairs in any form."

A day after a mass rally in Hungary to protest a Romanian decision to raze some 8,000 villages as part of a rural resettlement plan, Ceausescu closed a one-day plenum of the Romanian Communist Party Central Committee with a condemnation of what he called Hungarian interference into Romania's internal affairs. In a new escalation of the ethnic dispute, Romania ordered Hungary's consulate in Kolozsvár, in Transylvania, to close and told the consul to leave within 48 hours. Ceausescu also hinted he might close Romania's Embassy in Budapest.

Ceausescu, general secretary of the ruling Romanian party, said the party Central Committee warned its Hungarian counterpart in May that demonstrations and officially sanctioned articles and statements about the resettlement plan constituted "intolerable interferences" into Romania's internal affairs.

According to Ceausescu, the Hungarian committee replied a month and a half later with an acknowledgment that Romanian issues should be left to Romania to resolve.

However, he added, just a few days after this reply, another wave of rallies and demonstrations began in Hungary, and it culminated in a mass rally of 80,000 in Budapest yesterday.

In order to increase its area of arable land, Romania is planning to raze more than half the country's 15,000 villages by the year 2000, and a large percentage of the rural population will be resettled. Many of the 8,000 villages to be torn down are ancient Hungarian and Saxon settlements in Transylvania, and the homes of approximately two million ethnic Hungarians.

Opposition to the plan focuses on charges that the move would destroy Hungarian cultural and historic relics in Transylvania and break up the Hungarian community settled in Romania.

The Hungarian Government has conceded that demonstrations there are not conducive to a resolution of the problem, but it suggested that the government would not intervene. Yesterday's rally was peaceful and no violence was reported.

In his speech, however, Ceausescu accused Hungarian authorities of having consented to, and even of having backed, the rally.

"People cannot help but ask such a question: Could Romania's Embassy in Budapest continue to function normally?" The president said.

Closes Hungarian Consulate

OW2906064588 Beijing XINHUA in English
0547 GMT 29 Jun 88

[Text] Budapest, June 28 (XINHUA)—Romania today closed Hungary's consulate in the Transylvanian city of Kolozsvár and ordered the consul general and his staff to leave the country within 48 hours, the official Hungarian news agency MTI reported.

In a move just one day after a mass rally of some 80,000 in downtown Budapest to protest Romanian resettlement plans, the Hungarian ambassador in Bucharest was today summoned to the Romanian Foreign Ministry and told of the decision, MTI said.

Romanian Foreign Minister Ioan Totu informed Hungarian Ambassador Pál Szűcs about "the decision of the Romanian party and state leadership that it regards the operation of the Hungarian consulate general at Kolozsvár as having ceased with immediate validity and demands that the staff of the consulate general leave Romanian territory within 48 hours," according to MTI's account of the expulsion.

Tens of thousands of Hungarians demonstrated yesterday in downtown Budapest Romanian plans to raze some 8,000 villages. Hungarians say the plans would destroy the culture and tradition of nearly two million ethnic Hungarians living in Romania, most of them in Transylvania.

MTI said, "All responsibility for this violation of the valid consulate agreement between Hungary and Romania devolves upon the Romanian Government.

"But the Hungarian Government will not be deterred by this serious Romanian move from its principle policy upheld until the present aimed at deepening friendship between the two peoples, the strengthening of the connecting role of the national minorities living in the two countries and the comprehensive development of Romanian-Hungarian cooperation," MTI said.

Under the terms of a consular agreement signed in 1973 in Bucharest, the Hungarian consulate was set up at Kolozsvár in 1980 and a Romanian consulate in Debrecen in 1981.

Romania recalled its consul general in Debrecen in 1985, citing economic difficulties.

'Roundup' Views Hungary's 'Private Commerce'
OW2906045688 Beijing XINHUA in English
1212 GMT 28 Jun 88

["Roundup: Hungary's Private Commerce Develops Through Difficulty"—XINHUA headline]

[Text] Budapest, June 28 (XINHUA)—Hungary's private commerce is playing a more and more important role in the national economy while private shop managers find it harder and harder to run their businesses.

There are some 35,000 private shops and booths, with a total workforce of 60,000, throughout Hungary. Their sales were 70 billion forints (1.4 billion U.S. dollars) in 1987, 10 percent of the country's total retail sales.

The Hungarian Government has for years made efforts to support private commerce, hoping that private capital can be as many as 20 to 25 percent of the national economy.

As a measure to stress the importance of private commerce, the Hungarian National Petty Merchants' Association, an organization of Hungarian private businessmen, has been turned into the National Private Business Association.

However, private commerce has grown slowly this year due to various difficulties, many caused by the corruption of local officials, according to recent official reports here.

In the first three months of this year: The number of private merchants increased by only 0.7 percent as compared with the same period of last year, and 2,000 private merchants closed businesses.

The main obstacles hampering the growth of private commerce are as follows:

Private tradesmen find it difficult to replenish their stock. Some state-run firms take advantage of their special status to profit from private businessmen.

A salt merchant told Hungarian reporters that he had to tip for a few quintals of salt he got from a state firm but the tipping was more than what he earned from the salt.

Some state-run firms ask for "earnest money" in wholesaling goods to private merchants.

The price hikes for renting shops or booths have posed another threat to private merchants. The rent for a shop in some areas this year has more than doubled the figure of last year.

Private merchants usually have to pay "tributes" to local commercial inspectors for "protection." Otherwise, they might be reprimanded or fined for "various reasons."

A small shop in the capital city was inspected four times in two months. Whenever "problems" were found, they were taken seriously or even exaggerated. To be fined is a commonplace [as received]

Under a new taxation system announced by the government this year, private shop managers have to pay taxes on management, commodity circulation and individual income. Reports said the government has noticed these problems and is ready to adopt measures to settle them.

In a recent speech delivered at the Hungarian National Private Businessmen Association, Hungarian Vice-Premier Jozsef Marjai condemned the occurrence of those "unhealthy phenomena" and highly appreciated the role of private commerce in the country.

Private commerce has set a good example for state-run and collective-own commercial businesses and the government pays great attention to the development of private commerce, he said. He noted the government is considering to cancel the taxation on management and introduce a unified system.

Police Suppress Demonstration by 1,000 Peasants
HK3006074388 Hong Kong HONGKONG STANDARD
in English 30 Jun 88 p 1

[Text] Beijing: Thousands of armed police used force to suppress a demonstration by 1,000 peasants protesting a government decision to release badly polluted water from a reservoir near Beijing into their fields, a local official said yesterday.

More than 2,000 armed police dragged an estimated 1,000 peasants away from the Niukouyu Reservoir in Fangshan County, some 50 miles (80 km) southwest of the capital, injuring dozens of people in the clash on June 21, said an official of the local Water Conservancy Bureau.

There were persistent reports in the area that three farmers were killed. Others reports said 70 members of the security forces were injured.

Beijing City Government spokesman Li Jiyan confirmed the incident but added: "Local officials have assured me not a single person died."

The peasants from Guce Village, a hamlet with a population of 4,000 which lies near the base of the Niukouyu dam, staged the protest to prevent workers from releasing water contaminated by waste from a nearby petrochemical plant into their fields.

The official said police at first tried to persuade the farmers to leave, then worked in pairs to remove them, injuring dozens.

He said government officials ordered the sluices opened after the water level in the reservoir reached danger level.

Since the incident, the Yanshan Petrochemical Company has been ordered to spend \$43 million on anti-pollution measures over the next three years.

He said the plant has drained its waste water into the reservoir for 20 years, but farmers found out only a few years ago when they developed respiratory problems and noticed the water had a strange smell.

"The pollution in the water is severely over the safety level and it cannot be used for irrigation," the official said.

He said the pollution had cost local peasants their summer wheat crop.

Protest Seen as 'Surprising'
HK3006072088 Hong Kong AFP in English
0704 GMT 30 Jun 88

[Text] Beijing, June 30 (AFP)—A violent farmers' protest last week over pollution in the outskirts of Beijing was surprising because rural areas have profited the most from China's economic reforms, analysts said Thursday.

There have been other demonstrations in China recently, with five protests known of in June alone, mostly involving students in Beijing, taxi drivers in the ancient capital of Xian and Moslems in the remote northwest of the country.

But last week's clash between police and 1,000 farmers at Fangshan stands apart—and with economic reforms entering a critical period, in tandem with unprecedented double-digit inflation, the last thing China's leadership wants on its hands is social unrest, analysts said.

"Farmers are the ones who have profited the most from economic reforms," one Western analyst said, reflecting the views of many diplomats and observers here. "One would have expected them to be the Chinese least likely to protest."

Reliable sources said at least 70 policemen were injured in the Fangshan melee, which sprouted from a farmers' protest against local toxic waste pollution. It was believed an unknown number of protesters were also hurt.

Since they were allowed to sell surplus produce at free markets 10 years ago, many Chinese farmers—particularly those around big cities—have been earning 10 times the national average of 1,200 yuan (325 dollars) a year.

One nationwide poll, published in April, found that 87 per cent of rural households surveyed were pleased with reforms because they were given more "freedom in production" after years of state planning.

The Fangshan riot began as a demonstration by farmers against the disposal of toxic waste from a nearby petrochemical factory into a reservoir that served local drinking and irrigation needs.

Ironically, while the clash was still unreported in the official press nine days after it happened, the Chinese media have been campaigning for months against all forms of pollution.

"At present, many hazardous waste producers are having difficulties finding appropriate places to dispose of their wastes. It is a problem throughout China," the CHI-NESE YOUTH magazine wrote in a recent issue.

But tolerance for open protest is minimal, most likely because the Chinese leadership fears that a single demonstration might snowball out of control as happened in December 1986, when students nationwide marched for more political democracy and freedom of expression.

When posters at Beijing University threatened a mass demonstration for human rights at Tiananmen Square earlier this month, the authorities responded by sealing off the 40-hectare (100-acre) plaza with hundreds of police.

The demonstration failed to materialize.

On June 3, some 2,000 students held a spontaneous night march on the square to vent their anger at the murder of a geophysics student by hooligans.

Also in Beijing, some 60 students from northeastern Jilin Province were detained June 10 as they tried to stage a sit-in at Zhongnanhai, the compound where many Chinese leaders live. Police deny claims by several witnesses that about 10 of the students were hurt in the operation.

On June 15, about 600 people, apparently Chinese Moslems, were seen marching with banners and clenched fists in Urumqi, capital of the northwestern Xinjiang region. Western witnesses said they did not know the reason for the protest.

The pro-Beijing press in Hong Kong Thursday reported a peaceful demonstration Wednesday by private taxi drivers in Xian over parking rules.

QIUSHI To Begin Publication; Replaces HONGQI
HK3006094488 Beijing ZHONGGUO XINWEN SHE
in Chinese 0741 GMT 30 Jun 88

[Text] Beijing, 30 Jun (ZHONGGUO XINWEN SHE)—QIUSHI [SEEKING TRUTH], a theoretical magazine run by the Central Party School on behalf of the CPC Central Committee, will start publication tomorrow. Deng Xiaoping wrote the title for the magazine.

The predecessor of the semimonthly QIUSHI was HONGQI, which has a 30-year history. According to a decision of the CPC Central Committee, HONGQI ceased publication following its last issue published on 16 June. Since the beginning of publication, HONGQI had published a total of 544 issues. The circulation of its last issue totaled 2.47 million copies.

The first issue of QIUSHI carries the "Decision of the CPC Central Committee on Entrusting the Central Party School With the Mission of Running the Magazine QIUSHI." This decision was made by the CPC Central Committee on 30 May this year.

According to the decision, the general guiding ideology of the magazine is: With the party's basic line of the initial stage of socialism as the guide, comprehensively

publicize the "one center and two basic points," put reform at the center of all undertakings, and prevent rigid thinking and liberalization.

The decision also laid down four requirements for QIUSHI, which include: Resolutely implement the policy of "letting a hundred flowers blossom and a hundred schools of thought contend" and prevent one-sidedness. To enhance unity of the theoretical ranks, particular note should be taken to unite with those holding different views in the course of explorations.

It has been reported that the editor in chief and deputy will be appointed by the central authorities. So far no appointments have been made. Su Xing, vice president of the Central Party School, will be in charge of the magazine's routine work.

Partial Review of Contents

OW3006121488 Beijing XINHUA in English
1137 GMT 30 Jun 88

[Text] Beijing, June 30 (XINHUA)—The first issue of the fortnightly "SEEKING TRUTH" [QIUSHI] will come off the press tomorrow.

The periodical is the theoretical journal of the Central Committee of the Communist Party of China (CPC) and is published by the central party school.

The first issue carries the text of the document of the CPC Central Committee entrusting the central party school to run the magazine.

Also in this first issue are an article by Bao Tong, director of the Political System Restructuring Research Center, which is entitled "Questions Concerning China's Current Reform of Its Political Set-up", an article by Wang Meng, minister of culture, which is entitled "Accelerate and Promote the Reform of the Structure of the Art Performing Organizations" and an article by Xiu Jiataun, head of the Hong Kong Branch office of XINHUA NEWS AGENCY, which is entitled "Bring Into Full Play the Role of Hong Kong in the Economic Development Strategy of Coastal China."

"SEEKING TRUTH" is designed mainly for theorists, political propagandists, and officials working in units at county level and above.

The publisher of the magazine will develop ties with theoretical magazines of foreign communist and workers parties.

Senior leader Deng Xiaoping wrote the magazine's name.

Bao Tong Quoted on Political Reform
HK3006131688 Beijing ZHONGGUO XINWEN SHE
in Chinese 1043 GMT 30 Jun 88

[Report: "Bao Tong on Evaluation of Political Structural Reform"]

[Text] Beijing, 30 Jun (ZHONGGUO XINWEN SHE)—China's political structural reform is now under way. With the exception of the state public service system, all the specific measures proposed at the 13th National CPC Congress for carrying out the political structural reform are now being put into practice in a down-to-earth and methodical manner. The situation is very good.

This is the evaluation Bao Tong made at a certain meeting on the progress of the political structural reform over the past half year. His speech is published in the first issue of QIUSHI [SEEKING TRUTH].

According to Bao Tong, since the 13th National CPC Congress, the CPC Central Committee and the State Council have both worked out work rules and defined the functions of various organs and steady progress has been methodically made in the separation of the party and the government. Now it is clear which of the decisions and policies made by the Political Bureau and its Standing Committee should be implemented by the State Council and which by the Secretariat of the CPC Central Committee.

At the same time, party and government functions are being separated in enterprises all over the country. The central importance of plant directors is gradually becoming a reality, and the enterprise party committees are beginning to assume their supervisory role.

Bao Tong said: Concerning the reform of the cadre and personnel system, fruitful surveys have been conducted in various parts of the country. It will take us some time to introduce the public service system. However, before promulgating the state public service regulations, we will first introduce the competition mechanisms. This will undoubtedly stimulate the reform of the cadre and personnel system.

Bao Tong suggested: Social life is becoming increasingly democratic. This has given impetus to social progress and will set new demands on leadership work.

Bao Tong pointed out: It is necessary to keep the government honest and clean. This is an important part of the political structural reform. One of the methods that can be adopted is to increase visibility and not to start movements or order the whole country to do things in the same way. It is necessary to give thought to the long-term effects of institutionalization.

Bao Tong also suggested: The political structural reform and the economic structural reform are inseparable. Thus, it is necessary to study the problem of a new socialist commodity economic order.

Hu Yaobang 'May Return to Active Politics'
HK3006035588 Hong Kong SOUTH CHINA MORNING
POST in English 29 Jun 88 p 10

[By David Chen]

[Text] The disgraced former general-secretary of the Chinese Communist Party, Mr Hu Yaobang, may return to active politics—working with his successor, Mr Zhao Ziyang, on party matters, according to reports from Beijing.

Mr Hu, an advocate of economic reforms and a keen promoter of having younger party cadres to fill the posts occupied by septuagenarians and octogenarians in the party administration, was forced to resign in January last year at an enlarged Politburo meeting following student demonstrations.

Although he has since kept a low profile, he remains a force to be reckoned with, being a former head of the Communist Youth League (CYL) until he was purged at the onset of the Cultural Revolution in 1966.

Today, many of those who were under his tutorship in the CYL are in positions of power and influence.

Highly admired by the country's top man, Mr Deng Xiaoping, Mr Hu also has a wide following outside the league. It was largely for this reason and also because of his own accomplishments over the years, that Mr Hu was retained in the party Politburo at the 13th congress last year. He was also a deputy to the National People's congress in March and April.

Most of Mr Hu's followers are to be found in important positions in the party and the Government.

Among them are Vice-Premier Wu Xueqian, who was an activist in the Communist Youth League and in the party's International Liaison Office; Mr Hu Qili, now in charge of propaganda work on the Politburo's Standing Committee; Mr Qiao Shi, the "policeman" of the party and Mr Wang Zhaoguo, who despite being banished to Fujian as Governor, still wields some power.

Western analysts say a number of former CYL officials, in their 50s, now hold important party and Government posts.

Talks of Mr Hu playing a more active part in party politics has become more frequent in recent weeks, when it has become apparent that the new economic policies favouring development of the coastal regions are encountering serious criticism if not resistance from senior cadres of the interior.

Under these circumstances, it appears that a counterbalance to Mr Zhao's pronouncement and style are considered necessary and Mr Hu's former colleagues may harbour the idea of having their former chief return to the position where he can at least work jointly with Mr Zhao.

The administration, since it was reorganised following the Seventh National People's Congress, is viewed by China watchers as being staffed mostly by conservatives.

Most of the officials are of the school that believes in laying down an adequate infrastructure for the country before launching more ambitious economic plans.

Such concepts are in sharp contrast to the thinking of the party centre—and perhaps of Mr Deng himself.

In this respect, Mr Hu playing a more active role by working with Mr Zhao on economic reforms could greatly strengthen the hand of the conservatives.

Security Ministry Warns Against Liberalization

HK3006062488 Hong Kong CHENG MING in Chinese No 129, 1 Jul 88 p 17

[Report from the "Reference News" column by Tsui Ping (1508 1627): "The Public Security Ministry Held a Meeting With Beijing Municipal Leading Organs To Condemn 'Revival of Liberalization'"]

[Text] Recent student unrest has much annoyed the Chinese leadership. In order to suppress student unrest and safeguard the so-called stability and unity, the Ministry of Public Security, the State Education Commission, the Beijing Municipal CPC Committee, the Beijing Municipal Government, and other departments concerned held an urgent joint meeting on the afternoon of 3 June. The meeting, which lasted 2 days, was held at the State Council No 1 Guesthouse in Ganjiakou District near Fucheng Gate. Sources informed of the meeting disclosed that there were serious differences of opinion among participants in the meeting. But the participants finally agreed on the following points: First, the price issue is the main factor contributing to the present social instability; and second, "bourgeois liberalization" is reviving, a small number of hostile elements are stirring up trouble, and some cadres holding leading posts are just politically off their guard. After discussion, the Secretariat of the CPC Central Committee has decided that joint meetings of this type will be held regularly in the future.

Li Peng Discusses Population Control

OW3006110888 Beijing XINHUA in English 0904 GMT 30 Jun 88

[Text] Beijing, June 30 (XINHUA)— Premier Li Peng said here today that China, like most other Asian countries, is faced with population and development problems.

In a radio and TV broadcast, the premier said the Asian population is expected to reach three billion in the second half of this year.

To mark Asia's three billion population day, the Committee for the Asian Forum of Parliamentarians on Population and Development has suggested carrying out a series of activities starting from July 1 in a bid to promote positive action to solve the population problem. Their suggestion has won the support of all Asian countries and international organizations.

According to the premier, the Asian population has more than doubled from the 1.4 billion in 1950. Although the Asian economy has developed rapidly in recent years, its gross national product (GNP) per capita is less than one third of the world's same average figure.

Li said that China, the most populous country in the world, is striving to limit its population within 1.2 billion by the end of this century.

"This is certainly no easy job and population problems cannot be solved within a short period of time," the premier said.

Therefore, the country has listed family planning as one of its basic national policies and taken the control of population growth as a strategic task.

It has obtained certain results in years of efforts to pursue the policy of combining state guidance with people's willingness to cooperate, and mobilized the whole society to participate in and support family planning work.

The premier explained that China is undertaking socialist modernization and needs to bring into play the intelligence and wisdom of its people.

It will advocate better child-raising and child-care through legislation, publicity and education, while accelerating the development of education, science, culture, public health and social welfare to further improve people's health and raise their moral character and scientific and cultural standards.

Li called on local governments and organizations to list family planning work as a priority and do a good job in this field so as to make a contribution to Asia and the world in population control and economic development.

Li Peng Issues State Council Decree No 4
*OW2906134588 Beijing XINHUA Domestic Service
in Chinese 0044 GMT 28 Jun 88*

[Text] Beijing, 28 Jun (XINHUA)— Decree of the State Council, People's Republic of China

No 4

The "Provisional Regulations of the People's Republic of China Governing Private Enterprises" approved by the Seventh Executive Meeting of the State Council on 3 June 1988 are hereby promulgated. They will become effective on 1 July 1988.

Premier Li Peng

25 June 1988

Peng Chong Briefs Standing Committee on NPC Work
*OW2906115488 Beijing XINHUA Domestic Service
in Chinese 1417 GMT 28 Jun 88*

[Text] Beijing, 28 Jun (XINHUA)— Peng Chong, vice chairman of the NPC Standing Committee, briefed the meeting of the NPC Standing Committee on the work of the Seventh NPC Standing Committee. He said: The Seventh NPC Standing Committee will make the promotion of reform and open policies its primary task, the strengthening of socialist democracy and laws as its central task, and stress the improvement of the NPC work; it will earnestly fulfill the functions and powers entrusted by the Constitution, closely integrate with reality, actively work for the smooth progress of the reform and opening policies and for the creation of a favorable environment to establish a new order of socialist commodity economy.

Regarding the legislative work, Peng Chong said: We should stress our current legislative work in the following areas. First, we should direct our attention to formulating economic laws, particularly laws of microflexibility and macrocontrol, as well as laws dealing with opening to the outside world. We should formulate laws on budget, investment, social and economic plans, finance, loan contracts, prices, audit, antimonopoly, coporation, rural businesses, private businesses, labor, standardization, maritime affairs, import and export inspections, and income tax in foreign-funded enterprises. Second, we should formulate administrative laws on administrative procedure, compensation, civil service, security, education, teachers, and sanitation. Third, we should formulate citizen rights and social order laws that deal with gatherings and demonstrations, press, publication, associations, and trade unions. In addition, rules of procedure for the NPC should be formulated.

He said: New situations and experiences call for a timely review of existing laws. At present, laws that need to be amended are mainly in the area of civil codes and land management; they should be amended in accordance

with Constitutional Amendment. Laws on economic contracts and Sino-foreign joint ventures should be amended with the development of economy and expansion of China's opening to the outside world. With new experience gained from elections and with the reform on the cadres personnel system, the NPC organic law, election law, and other relevant rules and regulations on organic laws of local people's congresses and governments should be amended. Necessary amendments to criminal law, laws on criminal lawsuit, and civil lawsuit (trial) should be carried out. Regulations on citizen committees in urban areas should also be amended.

Regarding the strengthening of the supervision work of the NPC Standing Committee, Peng Chong said: The NPC Standing Committee exercises supervision according to law. It supports and promotes the work of administrative, judicial, and procuratorial organs as well as serving the function of checks and balances of these organs. It perfects the state's decisionmaking mechanism and promotes the democratization and legalization of the state's political and economic life. When exercising the power of supervision, the NPC Standing Committee should strictly act in line with legal procedure; the Standing Committee should strictly handle and fulfill its function according to law on matters within its scope of supervision. It should not appropriate the function which by law is given to administrative, judicial, and procuratorial organs. This is to ensure the efficient operation of the government and enable judicial and procuratorial organs to independently and legally exercise their functions.

He said: The NPC Standing Committee carries out legal supervision mainly on acts violating the Constitution and the law of the State Council, the Supreme People's Court, and the Supreme People's Procuratorate; it also supervises acts that violate the Constitution, the law, and administrative rules and regulations at the power organs in provinces, autonomous regions, and municipalities. Special committees of the NPC should help the Standing Committee carry out such supervision. First, the secretary general of the NPC Standing Committee should turn over the local regulations (including autonomous regulations and specific regulations of autonomous prefectures and autonomous counties) which were submitted to the NPC Standing Committee as reference to relevant special committees for review. The special committees shall report to the Standing Committee for decisions on handling of the local regulations found contradicting the Constitution and the law. The law committee and relevant committee shall propose corrective opinions to the Standing Committee and ask for its decision on the State Council's administrative regulations which contradict the Constitution and the law. The Nationalities Committee shall review and propose approval or revision of the autonomous regulations and specific regulations that autonomous regions submit to the NPC Standing Committee for approval; the final decision rests with the Standing Committee. Second, the Standing Committee should selectively carry out examination on execution of

some major laws. It shall offer opinions to relevant law-executing departments and urge them to strictly enforce the law if acts of violating the Constitution and the law, including cases of judicial organs breaking the law when handling major cases, are found in the course of law enforcement. Relevant cases, are found in the course of law enforcement. Relevant law-executing departments should report to the Standing Committee on the handling results. When necessary, the Standing Committee may form an investigative committee to deal with specific problems and make corresponding decisions.

Peng Chong said: We should accept and handle the masses' airing of grievances, reports, and accusations against officials' wrongdoings with sincerity. The Standing Committee will call on relevant departments to investigate the facts and handle all accusations that are directly levelled at state workers who were elected and appointed by the NPC and its Standing Committee for serious violation of the Constitution. Other grievances, accusations, and reports on officials' wrongdoings will be turned over to the Supreme People's Court, the Supreme People's Procuratorate, the Ministry of Supervision, and local people's congress for handling; they are required to report to the NPC Standing Committee on the handling results within a certain time period. The Standing Committee should perfect the system of handling citizens' grievances and accusations and report on officials' wrongdoings. They should resume the work of handling people's mail and receiving their visits.

He said: The Standing Committee should conduct both law enforcement and work supervision well. The NPC Standing Committee will supervise work of the State Council, the Central Military Commission, the Supreme People's Court, and the Supreme People's Procuratorate. The main point of supervision is to supervise on the execution of the national economic and social development plan and the state budget. The State Council should report to and seek approval from the Standing Committee on partial adjustments made in the course of executing plans and budget. The Standing Committee should hear reports of the State Council and its ministries and commissions, the Supreme People's Court, and the Supreme People's Procuratorate on the important problems in the course of modernization construction, reform, and opening to the outside world, as well as on the matter of universal concern. Various special committees may hear briefings from relevant administrative and judicial departments and raise questions. The Standing Committee will formulate laws concerning supervision and further define the supervision method and perfect supervision procedure, making the supervision work more regular and systematic.

Regarding the problem of strengthening contacts between the NPC deputies and local people's congresses, Peng Chong said: We should continue the system of contact between the NPC Standing Committee and provincial level people's congress Standing Committees

and strengthen the direct contacts between the NPC Standing Committee and its deputies. We should strengthen contacts with provincial level people's congress Standing Committees, exchange experiences, and promote further development of work of people's congresses at all levels. When making inspection tours, the NPC deputies and Standing Committee members should keep in close touch with the masses, listen and reflect the opinions and voices of the masses. The NPC Standing Committee should study and formulate work rules of the NPC deputies and set down concrete rules for the rights and obligations of the deputies.

Peng Chong said: The Standing Committee and special committees should increase the visibility of their work. Opinions expressed in the course of revising draft laws and in the course of proposal examinations can be made public. Selective live television relays or special reports should be made when the Standing Committee and special committees convene sessions. This will help cement contacts between the NPC and the masses and help to obtain current opinions from various social circles and receive people's supervision. The Standing Committee will establish the system of news briefings, conferences, and a public gallery.

During the speech, Peng Chong also touched on such problems as promoting foreign affairs work and improvement of NPC work.

NPC Sets Up Internal Judicial Affairs Committee
HK3006052788 Beijing ZHONGGUO XINWEN SHE
in Chinese 1324 GMT 28 Jun 88

[Report: "A Brief Introduction to the Internal Judicial Affairs Committee of the National People's Congress"]

[Text] Beijing, 28 Jun (ZHONGGUO XINWEN SHE)—The NPC's Internal Judicial Affairs Committee is a specialized committee recently set up by the Seventh NPC. It is a standing body and its major responsibilities are to examine, work out, and put forward bills and other motions concerning the Supreme People's Court, the Supreme People's Procuratorate, the Ministry of Public Security, the Ministry of State Security, the Ministry of Justice, the Ministry of Supervision, the Ministry of Civil Affairs, and the Ministry of Labor and Personnel. At the same time it helps the NPC and its Standing Committee supervise the above internal judicial ministries in accordance with the law.

Specifically, its responsibilities and tasks are as follows:

—Examine the motions and inquiries concerning the internal judicial organs submitted by the NPC and its Standing Committee;

—Examine and enact or take part in enacting bills which are to go to the NPC and its Standing Committee for examination and approval;

—Examine the administrative laws and regulations and local laws and regulations of the internal judicial bodies;

—Examine how the internal judicial bodies enforce the Constitution and laws;

—Hear reports from all internal judicial departments and make inquiries into major events.

The Internal Judicial Affairs Committee plans to amplify its own organization within 1 or 2 years by setting up three offices: a general office, a judicial office, and an interior office.

It is reported that the committee will be responsible for examining and working out the National Public Service Law, the Administrative Establishment Law, the Gatherings and Demonstrations Law, the Mass Organizations Law, the National Reparations Law, the National Security Law, the Prison Administration Law, the Lawyers Law, the Notary Law, the Labor Law, and so on.

The committee exercises its supervisory authority mainly in the following ways: Hearing reports, making inquiries, examining work reports, making investigations, and examining how the law is enforced.

It is also known that the committee will organize its members to inspect and look into internal judicial work every year. When it discovers major problems, it will advance motions and make inquiries. It will also conduct an inspection every year together with other departments concerned to find out how the law is executed.

The director of the committee is Xi Zhongxun.

NPC Member Suggests Tax on Banquets
OW3006044588 Beijing XINHUA in English
1446 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)— Banquets should be taxed as a means of cutting down overspending on food and drink, a member of the National People's Congress Standing Committee said today.

Zhang Chen described the problem as "rampant all over the country."

Zhang said that since these were difficult times for China's finances, stricter attention should be made on increasing revenues and cutting spending, especially in the area of tax policies.

The committee, holding its second meeting this year, stressed the need to continue reforms and said priority should be given to supervision.

Committee member Qin Chuan said that without reform it would be difficult for the NPC to exercise its rights entrusted by the Constitution.

The reform should involve strengthening the legal system, he said.

Lin Lanying, a female member of the committee, said the NPC should take a more active role in examining the state budget plan and final accounting. The NPC should also investigate economic losses arising out of government workers' dereliction of duty, she said.

Another member Deng Jiatai said that the Standing Committee and the NPC's various special committees should make more inquiries into matters of public concern, such as pricing and public security, and that their findings be made public.

Changes in Transport, Communications Needed
HK3006062588 Beijing RENMIN RIBAO in Chinese
28 Jun 88 p 2

[Article by RENMIN RIBAO reporter Liu Guosheng (0491 0948 0524): "The 'Vanguard' Is Calling—on the Changes in the Backward Conditions of Our Country's Communications and Transportation"]

[Text] Some people said that the transport industry in our country is facing many troubles and crises. This is not alarmist talk. The "leading" industry is now a backward link in the national economy, and this will inevitably hinder social and economic development, and will even endanger social stability.

In recent years, train collisions and derailings, passenger plane crashes, passenger ships capsizing, bus overturns, and other serious accidents fully exposed the poor management in our transport industry. At the same time, this also showed the crisis in this trade.

In the railway networks of our country, more than 30 percent of the sections and major marshalling stations are operating at full capacity. Passenger transportation has been strained for a long time. In the whole country, more than 100 million passengers are carried in overloaded conditions. In large cities, public transport is extremely crowded. Tens of millions of urban workers have to face the difficulty of squeezing themselves into crowded buses everyday when they go to and from work. The volume of cargo handling in the major harbors has exceeded the design capacity by 16 percent. The delays in cargo loading and unloading has caused huge economic losses. There are too few civilian airports in our country, and the major routes are short of planes. The navigation equipment and air traffic control facilities are particularly backward. In our country, it is very difficult for people to buy tickets, and all vehicles and ships are crowded. This has become an "explosive" problem.

For many years, although the central authorities repeatedly stressed the strategic position and leading role of the transport industry, in practice, the transport industry was not really treated as a strategic link in the national economy. For a long time, investment in the transport

industry was kept at a low level, and the proportion of this investment was even reduced somewhat in past years. Less funds were appropriated for technological transformation, and this made the contradiction between the capacity and the handling volume more prominent. For a long time, transportation expenses, especially the railway freight rate, were too low and deviated from the law of value. As the costs of transportation continued to rise, this seriously affected the self-transformation capacity of the transport industry. Moreover, the transport industry did not enjoy preferential treatment in the finance, credit, and taxation aspects, and this also added to the difficulty. Now, most transport enterprises have to depend on overdriving and overloading the outmoded equipment.

In recent years, many departments and research institutes have conducted extensive studies of the problems in our country's transportation from different angles and in different aspects. However, transportation is an integrated system in the national economy, and the separate studies of various departments inevitably had many limitations.

People have found that if we continue to rely on some general work conferences and ask the relevant departments to give some general and superficial calls as we did in the past, we will not be able to solve the problem of making the transport industry develop ahead of other economic sectors. According to the proposals of some scientists, our country has taken the research subject of "China's transportation development strategy and policy" as a priority decisionmaking consulting project of the national scientists association, and consider this issue from the angle of overall strategy so as to formulate short-term, intermediate-term, and long-term general development strategies and plans for the transportation industry for the state authorities. Now people place great hopes on this consulting project and proposal of major decisionmaking significance.

The experts hold that, in order to speed up the development of transportation in our country, we must change our ideas and strengthen overall control and regulation, and this is the key to the issue. In the past, we merely attached importance to production and neglected circulation, merely attached importance to the manufacturing industries and neglected transportation. We did not regard the capacity of transportation as part of the productive forces in society. Monopolies existed in the transport industry, and there was no business competition. All such outmoded concepts should be changed rapidly. The transport industry should develop ahead of other economic sectors so as to play a leading role. If the transport industry is not quickly developed, it will certainly become a major obstacle to the fulfillment of the overall economic strategic plan.

The experts proposed that the central and local governments increase investment in the transport industry and open more channels to attract more domestic and foreign funds for this industry. That is, the central and local

governments, various departments, enterprises and individuals should invest in the transport industry. The funds should be mainly used to build and transform railways, highways, harbors, waterways, airports, and other infrastructural facilities. To develop some transport projects which may reap more profits, stocks and bonds can be issued to attract idle funds from enterprises and individuals. The transport enterprises can then return the principal and pay interest with their incomes. At the same time, it is proposed that the Communications Bank be turned into a bank specially serving the transport industry, or a special financial institution oriented to the transport industry be established. With the support of the specialized financial institution, the transport industry can acquire more funds for its development.

It is necessary to adjust the freight charges, and it is especially necessary to raise the railway freight rate. The current freight rate is even lower than that in the 1950's. Without regard to the price increase factor, the present highway freight rate was 24 percent lower than that in 1955; the cost of the passenger air tickets is 39.5 percent lower than that in 1955; and the railway freight rate is even lower when compared with the foreign level. The experts hold that if during the Seventh 5-Year Plan, the average railway freight rate of each ton-kilometer is raised from 0.008 yuan to 0.01 yuan, then the ratio of profits to the working funds in the railway transport industry will be close to the average level of the industrial enterprises in the whole country, and in 1990, the railway system can increase its income by 11.5 to 14.4 billion yuan.

The reform of the excessively concentrated freight management system will help establish a new management system which is more favorable to effective overall regulation and control and a more flexible operation of the enterprises. This reform must be carried out. At the same time, the interest rates on loans for the fixed assets of the enterprises engaged in water transport, highway transport, and urban transport should be further lowered.

Comrade Zhao Ziyang pointed out that it is necessary to develop the transport industry with comprehensive transportation as the key. Comrade Li Peng also called for making positive efforts to develop comprehensive transportation. Then, it is necessary to change the current management system under which different transport departments are managed separately, and the overall management of the entire transport industry should be strengthened. In fact, for a long time in the past, the transportation plan did not correctly reflect the needs in the national economic and social development. Although the transport departments fulfilled the targets assigned to them, there were still stockpiles of large quantities of products in the production enterprises. By the end of 1987, some 50 million tons of coal was stockpiled in Shanxi. The experts called for paying more

attention to the study of the "soft science" in transportation. It is necessary to organize domestic experts, scholars, and research institutes to strengthen the studies of the strategy and policy for developing transportation and to provide consulting services for the leading organs.

Speeding up the development of transportation in our country and overcoming the current crisis in this field is a major strategic issue concerning the national economic and social development. We deeply believe that with the joint efforts of all parties concerned, we will be able to really give play to the "leading" role of the transport industry.

Politburo's Li Tieying Visits Guangdong
HK3006074188 Guangzhou Guangdong Provincial
Service in Mandarin 1030 GMT 29 Jun 88

[Text] Through an inspection visit to Guangdong, Li Tieying, member of the CPC Central Committee Political Bureau, State Councilor, and Minister of the State Education Commission, has fully ascertained the achievements made by the province in educational work. The tour was made between 17 and 23 June.

During his stay in Guangdong, he listened to a briefing on the province's educational structural reform and visited some universities, middle schools, primary schools, kindergartens and normal schools, inspecting school facilities and holding discussions with leaders and teachers of these schools.

Justice Minister on Judicial Administration
HK2906132088 Beijing RENMIN RIBAO
in Chinese 25 Jun 88 p 1

[Report by Zhang Zhiye (1728 1807 2814): "China Is Strengthening Judicial Administration and Notary Work To Create a Legal Environment for the Development of the Export-Oriented Economy"]

[Text] The role of China's judicial administration in promoting the development of the export-oriented economy is receiving more and more attention from entrepreneurs and foreign businessmen.

Justice Minister Cai Cheng said during an interview with this reporter several days ago that the Ministry of Justice had sent people to coastal provinces and cities to conduct surveys on judicial administration. The ministry has also proposed new measures and opinions on how judicial departments should implement the coastal development strategy, he added. He said: In implementing the coastal development strategy, attention should be paid not only to "hardware" (material conditions) but also to "software," that is to creating an excellent legal environment for investments. If the problem of providing legal protection for foreign businessmen is not resolved, importing more capital, funds, and raw materials, and exporting more finished products will only remain wishful thinking. In the course of popularizing

education in law judicial administrative departments in China have focused their attention on education in export-oriented enterprise law. In this way enterprises can carry out their operations and production according to law, and foreign businessmen will further understand China's investment environment and have more courage to invest in China. Lawyers are shifting their work from handling criminal cases to resolving economic and civil cases. Cases of a nonlawsuit nature have greatly increased. More and more lawyers have become legal advisers to coastal enterprises and foreign businessmen. By the end of 1987 some 700 joint ventures, cooperative enterprises, and wholly owned enterprises in Jiangsu, Zhejiang, and Guangdong had hired lawyers as their legal advisers. Through participation in drafting, examining, revising, and discussing foreign-related economic contracts, Guangdong lawyers have helped introduce foreign funds of 2.3 billion yuan, equivalent to half the total foreign capital actually used in the province over the last 5 years. These three provinces have also helped joint ventures, cooperative enterprises, and wholly owned enterprises resolve legal affairs either of a lawsuit or nonlawsuit nature. They have handled 41,000 foreign-related economic cases recovering and preventing an economic loss of 2.6 billion yuan. Notarization now involves 20 types of foreign-related businesses.

As reported, a large number of legal service organs have emerged in coastal townships and towns in recent years. They are displaying their strong points in providing legal services for township and town enterprises engaged in compensatory trade processing provided raw materials, processing according to provided samples, and assembling with provided components and parts. Legal service organs have been set up in about 50 to 60 percent of towns and townships in Jiangsu, Zhejiang, and Guangdong. Together with city and county lawyers, these legal service organs act as legal advisers to export-oriented enterprises. They share common efforts in drawing up operational policies for enterprises, in resolving legal affairs of a nonlawsuit nature, in helping notary departments handle notarization, in mediating settlements of economic disputes, and in alleviating contradictions concerning labor service.

Cai Cheng said: Judicial administrative departments are short of legal service personnel and this is the biggest problem they encounter in providing legal services for coastal economic development. They are understaffed and the quality of the legal personnel in these departments has yet to be improved. In particular personnel who understand law, economy, and foreign languages are quite scarce. We should step up our efforts to train more of such people. The Ministry of Justice has decided to strengthen the work of the existing foreign-related economic law training center. The ministry will also train a large number of legal personnel through various channels including running study courses in society.

Cai Cheng particularly stressed: Viewed from the requirements of the coastal economic development strategy, lawyers are in great demand and the existing legal

system does not correspond to the new situation. The Ministry of Justice has worked out a basic idea on reforming the legal system and changing the state monopoly over legal affairs. The reform is aimed at setting up a system under which lawyers engaged in state legal work, lawyers on a cooperative basis, and individual lawyers will cooperate with each other. Lawyers on a cooperative basis will constitute the principal body of this structure to meet the needs of state life, social life, and people's lives. Individual lawyers are providing legal services in Shenzhen and Hainan Province on an experimental basis and this will not be popularized for the time being.

Cai Cheng pointed out: As required by the state's relevant regulations the establishment of new lawyers' offices, be they on a trial basis or in full-scale operation, must be submitted to judicial administrative organs for approval; in no case should lawyers set up their offices as they see fit. He expressed his firm disagreement with the idea of the "entire society handling legal affairs" and "everyone being lawyers."

CHINA DAILY Commentator on 'Clean Government'
HK3006081888 Beijing CHINA DAILY in English
30 Jun 88 p 4

[By CHINA DAILY commentator: "Clean Government"]

[Text] As China approaches a new, crucial stage of reform, people are buzzing with several major questions that the country has to face squarely.

One question is how to maintain clean government.

The next stage will affect the interests of tens of millions, when the government has to help various sectors of society adapt to new prices, wage or salary scales, welfare regulations and housing distribution methods.

Such reforms will inevitably be at risk if government officials fail to act as honest public servants. And they definitely will fail if they act only out of self-interest.

Cases of power abuse already are plentiful. The number of corrupt officials may be small, but the damage they inflict on the government's credibility is enormous.

Public opinion polls and sociological surveys all show official corruption as the most unsatisfactory phenomenon in China today. Discontent is widespread. If the corrupt elements are allowed to continue, more grievances will arise among the people.

In such circumstances, the government will be unable to lead the nation through the forthcoming difficult period of a major shake-up of social interests.

The central authorities are adopting stern measures to deal with the problem. The State is taking initial steps towards shaping the country's modern public service system, including examinations. Among the main areas to be examined, the most encouraging are respect for the rule of law and democracy.

Discipline is being tightened. Supervisory departments have been established across the country to watch officials' conduct.

As the political force in power, the Communist Party is also experimenting with some evaluation programmes for its members occupying government positions. At the same time, its provincial-level organizations are expelling unqualified members.

Media coverage of the top decisionmaking process is becoming more open and regular—another sign of growing democracy.

The cause of corruption is not hard to figure out, nor is the way to deal with it.

After bidding farewell to the plain-living years of the past and seeing for the first time in their lives such an increase in society's wealth, some people may have become dizzy and forgotten the public duty that they once took as an oath.

The most essential guarantee of clean government is a system that facilitates public supervision over all who occupy key posts. This should be an important aspect of China's steady political reform.

The people are watching how the country's political system will change for the better, and become more efficient to keep incumbents honest and hard-working. They believe there cannot be any hope and assurance for this change unless corruption is stamped out in an uncompromising manner. They all agree with what Deng Xiaoping said recently—in a world where corruption is prevalent, whatever the economic development, it can only be meaningless.

Beijing University Student Demonstrations Noted
HK2906023388 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 25, 20 Jun 88

[Letter from Beijing by Bao Xin (7637 0207): "Eliminate Interference, Storm a Dangerous Pass Together"]

[Text] Dear Brother:

Your letter has just arrived, in which you asked about what was happening on the Beijing University campus a few days ago. Overseas public opinion has also shown great concern about it. I should like to brief you on the incident as follows:

In the early morning of 2 June this year, a gang of hooligans beat up some Beijing University students, leading to one dead and three casualties. The hooligans' violence aroused great wrath on the Beijing University campus. To mourn the deceased, around 200 students took to the streets in a demonstration, and made an eight-point demand to the government. The government expressed its understanding of the students' wrath, and its firm support on six points in the students' demand, including the ordering of the arrest, and severe punishment for all criminals at large as quickly as possible, that social order be strengthened, and that the students' personal safety be protected. The government also promised immediate action in their implementation. Regarding the other two points, namely, the criminals in question should be put on open trial on Beijing University campus, and cancellation of the Several Provisional Stipulations on Parade and Demonstration as promulgated by the Beijing municipal government toward the end of 1986, the government patiently explained that the criminals should be prosecuted and judged by judicial departments according to legal procedure; no private justice court should be set up as was the practice in the 10-year "Cultural Revolution," when laws, human and divine, were defied. As to the Several Provisional Stipulations on Parade and Demonstration, they were formulated in accordance with the Constitution and the law, and stipulated that all parades and demonstrations must be sanctioned by the government beforehand, with the purpose of protecting the citizens in exercising their rights to parade and demonstrate, and maintaining public order of the capital.

The majority of the students were satisfied with the attitude and answers of the government, believing them to be sensible and rational. The case of violence was rapidly uncovered by the Beijing municipal public security departments with the six culprits apprehended within 40 hours after the violence had taken place. The Beijing Intermediate People's Justice Court is in charge of the case, which will soon be tried in court, and the culprits will be severely punished according to the law.

Evidently, that is a criminal case. Such cases are usually tried and sentenced by judicial departments according to legal procedure. Three days later, however, a handful of people on the Beijing University campus were stirring up trouble. They seized on the incident to exaggerate matters, in a vain attempt to change this criminal case into a political issue. Disregarding the stipulations in explicit terms in the Constitution, they brazenly put up large-character posters, flaunted the banner "Strive for democracy, freedom, and human rights," shouted the slogan "Down with the CPC," and singled out some party and government leaders by name for personal attack. They slandered the CPC policy of reform and opening to the world as "some demons having fallen out of power, while others of their kind taking their place in office," and openly revealed their "aim to overthrow the government." They brazenly stirred up trouble, agitating a teachers' strike as well as a students' strike. They took to

the streets in demonstration, creating turmoil, and fouled the atmosphere on the Beijing University campus. At the same time, they brought great unrest to the society.

These people's speeches and actions were evidently a sabotage of reform, opening up, stability and solidarity, and run counter to the people's basic interests. Therefore they roused the unease of the majority of teachers and students on campus as well as people of various social strata, and met with the objection of the majority of people. Some students on the Beijing University campus condemned the handful of people deliberately starting trouble as "black sheep," and required the school authorities and the government to adopt measures to ensure an environment of stability for study on the campus.

In line with the demand of the teachers, students, and people of various strata, the CPC leadership and Beijing municipal government clearly opposed the handful of troublemakers taking advantage of the incident. The authorities adopted necessary measures to maintain public order as well as stability and solidarity. The strength of CPC policy and the pressure from the masses frustrated the attempt of some people with ulterior motives to start trouble; whereby peace on the Beijing University campus was restored. Of course, with reform deepening, the struggle to maintain stability and solidarity will not end here.

China's reform has entered upon a crucial phase. China has scored universally acknowledged accomplishments in reform over the past decade. Social production is now full of vitality and people's living standards are somewhat improved. The nation is marching along the way to prosperity in big strides. However, arduous work is involved to make reform develop in depth, and to gradually set up a new order of socialist commodity economy. China is now facing the task of ironing out prices and wages, which are very difficult as well as unavoidable. To guarantee the smooth fulfillment of the task, a stable social environment and a political situation of stability and solidarity are imperative.

An old saying goes: "It is easy to bring turmoil to the world, but not so to bring peace back." Experience has proved that, the maintenance of the situation of stability and solidarity involves struggles, by getting rid of "leftist" or "rightist" interferences whenever they surface. By no means should we allow those people who deliberately sabotage reform and create turmoil to have their own way.

"Realizing the four modernizations to invigorate the Chinese nation" is our banner as well as the common goal of the Chinese people. "In mountaineering, one should not flinch because of hardships and danger, but be determined to reach the summit." So long as the whole nation is of one mind to get rid of all kinds of

interferences and to surmount all hardships, we will certainly maintain stability and solidarity, tide over the difficulties in reform, and reach our destined goal.

Sincerely,

Bao Xin (12 June)

Strengthening Supervision 'Priority' Task
HK2906062388 Beijing LIAOWANG in Chinese
No 24, 13 Jun 88 p 3

[Article by Wang Yuzhang (3769 3768 4545): "Strengthening Supervision—A Task of Top Priority in Political Life"]

[Text] Experiences accumulated over the past 40 years since the founding of the People's Republic have shown that lack of supervision is an important root cause of big and small errors in our work. It is also a hotbed for the growth and development of the evil of abusing power for private gains. It is obvious that this is a universal truth suitable for any social system.

People have more clearly understood this truth after the 10 years of the "Great Cultural Revolution."

After the 3d Plenary Session of the 11th CPC Central Committee, when the party Central Committee summed up the previous historical experiences, it paid great attention to this matter. In his article entitled "On the Reform of the System of Party and State Leadership" written in 1980, Comrade Deng Xiaoping pointed out: "There must be a system of mass supervision so that the masses at large and the party rank and file can supervise the cadres, especially the leading cadres." He added: "Regulations must be worked out governing the scope of powers attached to particular posts and the political seniority and material benefits of cadres at all levels. Here, the most important thing is to have definite organizations to exercise impartial control."

In his work report delivered at the 13th CPC National Congress, while talking about the issue of political structural reform, Comrade Zhao Ziyang again and again stressed the matter of strengthening supervision. With regard to the issue of reforming the cadre management system, he emphasized "democratic and open supervision." With regard to press and propaganda, he stressed: "We should have more reports on the government affairs and party activities to give play to the role of the supervision of mass media." As far as activities of the CPPCC, and the democratic parties were concerned, he pointed out: "We should gradually ensure the regularization of the political consultation and democratic supervision with regard to the main political principles of the state and the important issue of the livelihood of the masses." As for the mass organizations, he stressed that "they must actively participate in social consultation and dialogue, democratic administration and supervision." In his work report, Zhao Ziyang pointed out that

our political system was basically good, and that our main defects were reflected in "overconcentration of power, severe bureaucracy, and that feudal influence is far from being eliminated." To him, strengthening supervision was precisely an important means for overcoming these defects.

At present, strengthening supervision is not merely limited to lip service. Measures are being gradually taken to put supervision into effect. In June last year, the State Council set up a supervisory department. Measures are also taken to establish a supervisory system in various administrative departments of the state to investigate the cases of some individuals, or matters involving the violation of law and discipline. In particular, efforts are being made to investigate and handle the cases in foreign economic relations such as inducing graft, taking bribes, corruption, selling out economic information, dereliction of duty, negligence in the performance of duties, and so on. Up to now, the supervisory departments at all levels have made a thorough investigation of 300,000 contracts involving foreign economic relations. More than 800 questionable points and problems have been found out, and great losses have been retrieved.

In recent years, the CPPCC and the democratic political parties have also been playing a more marked supervisory role. Over the past 5 years, the Sixth CPPCC National Committee, which changed term of office in March this year, put forward 7,661 proposals, more than doubling those proposed by the Fifth CPPCC National Committee. The State Council has accepted some proposals on important matters, and taken relevant measures to deal with the matters concerned. The criticisms and proposals on the issue of the development of science and technology and education put forward by the CPPCC and democratic parties have promoted the work in these aspects.

Party and government leading organs in some localities have openly appraised through discussions the party and government leading cadres, and advocated democratic supervision. Yueyang City in Hunan Province organizes an appraisal meeting once every two months to invite representatives from the City People's Congress, the CPPCC, mass organizations, and office cadres to criticize and put forward their opinions on the city government and leading cadres to integrate democratic supervision with the assessment, appointment and removal of cadres, and the building of party organizations.

Recently, supervision by mass media advocated by Zhao Ziyang at the 13th CPC National Congress has also been gradually promoted. Various newspapers and magazines have vigorously exposed and criticized the evils and phenomenon of violating discipline and law in political life and economic activities. The fact that the director of the traffic bureau in Baoding Prefecture kidnapped a toll booth attendant was exposed and criticized was a warning to those leading cadres who rely on their power and influence to ride roughshod.

It is obvious that strengthening supervision is an important link in the present development of the socialist democratic politics. The reason why many errors in policy decisions, bureaucracy, abusing power for private gains, and the evils of inducing graft, taking bribes, and so on have become an obstinate illness is, to a certain degree, because of the lack of supervision, or the imperfect supervisory system. Some figures, who made great contributions to revolution and construction, and were once regarded as model workers, have now got bogged down in the mire of abusing power for private gains, and are unable to free themselves from the evildoing. This is, to a great extent, attributed to the lack of effective supervision. We would like to quote a poem by Qu Yuan and add some words to it: The fragrant grass of the past has now become desolate weeds. There is no other reason contributing to this than the lack of supervision.

We are now implementing a policy of opening up to the outside world, and enlivening the domestic economy. Under such circumstances, strengthening control in various quarters and perfecting a supervisory system is not only an important matter, but also an urgent affair.

Of course, to strengthen supervision and the legal system, we should implement the principle that everyone is equal before the law and before party and government discipline. If the discipline is applied only to the people at the lower level, but not to those who are at the upper level, and if attention is attached to worldly wisdom and face saving everywhere, strengthening supervision can only be empty words, and no due result can be obtained in this regard.

In addition, supervision should also be imposed on law executors and supervisory departments. In the body of the state, they are like white blood cells in the blood. The human body relies on white blood cells to fight against pathogenic bacteria. If the law executors, and the supervisory and control departments are also engaged in malpractice for selfish ends, that means the white blood cells of the state will also become pathogenic bacteria. Under such circumstances, it is unimaginable to maintain the health of the human body.

Since the 13th CPC National Congress, there has been a good start for the work of strengthening supervision. But it is still far from being perfect. However, as long as leaders at all levels attach importance to this work, and make unswerving efforts, the work of strengthening supervision, which is an indispensable link in our political life, will be consolidated and perfected. The entire body of the party and state will become more healthy and strong.

Commentator Stresses Cadre System's Smooth Reform
HK2906061188 Beijing JIEFANGJUN BAO
in Chinese 17 Jun 88 p 1

[Commentator's article: "Adhere to Principles, Strictly Enforce Discipline, Ensure Smooth Reform of the Cadre System"]

[Text] The several reforms relating to the cadre system that are currently being adopted throughout the Army are major events that have an important bearing on the

development of the Army, great projects in army building for this year, and key tasks for our Army in the recent period. Discipline must be strictly enforced to carry out simultaneously the several important reforms of the cadre system and to fulfill the requirements for unified understanding, unified policies, and unified measures. Iron discipline is a strong guarantee of smooth progress of the several important reforms of the cadre system.

The several reforms of the cadre system are closely related to every cadre's immediate interests. It will be a real trial for all party committees and leading people at all levels as to whether they can resolutely act according to the policies and systems and properly handle their personal interests in the process of the reforms. In light of the present situation in various army units, our party organizations and cadres in the vast majority of units have shown great determination and a high sense of discipline in implementing decisions, directives, and regulations laid down by the Central Military Commission and the army headquarters. But it is also necessary to guard against and check unhealthy trends developing in certain units of violating directives issued by the Central Military Commission and the army headquarters, in disregard of discipline and interests of the whole. For example, promotion of military officers without prior approval, breach of the set army establishment to accommodate certain cadres, employment of unqualified personnel, abnormal transfer of officers so they can avoid being transferred to nonmilitary posts, the practice of filling nonmilitary posts with volunteer soldiers and unqualified cadres, illegal change of the date of birth and the date of enlistment for personal purposes, or even public petition for promotion. All these interfere in the reform of the cadre system and are intolerable to party discipline.

Our discipline is based on a high degree of consciousness. In-depth and meticulous ideological education is needed to enhance cadres' consciousness in enforcing discipline. Our party committees and leaders at all levels must not turn a blind eye to unhealthy tendencies in the reform of the cadre system but must teach the vast number of cadres to wholeheartedly serve the people and to observe discipline. We must shout out the slogan: "Submit ourselves to the general interests of army reform, correctly handle personal interests." It is necessary to demand expressly that our cadres, especially leading cadres, uphold party spirit and principles, show a fine work style and a high sense of discipline, and adhere, in the course of reform of the cadre system, to the principle that the individual must submit to the organization, the part must be subordinated to the whole, personal feelings must be subordinated to policy, and specific principles must be subordinated to the general principle.

Party committees and leading organs at all levels, and high- and intermediate-ranking cadres in particular, must take the lead in observing discipline. This is the key to guaranteeing the smooth progress of the several

important reforms of the cadre system. The performance of a unit relies on its leading organs, the performance of the leading organs relies on the party committee, and the performance of the party committee in its turn relies on several principal leading persons. For this reason, it is necessary to uphold firmly the principle on the party's administration over cadres and that on collective leadership. As far as such important issues as the reshuffling and retirement of cadres and the transfer of cadres to nonmilitary posts are concerned, it is necessary to take the whole situation into account, uphold an impartial and upright style, and act strictly according to rules, regulations, and policies. Nobody is allowed to: make arbitrary decisions and take peremptory actions; play tricks, refusing to implement policies laid down by the higher levels; act as he thinks fit in disregard of his superior's directives; play favorites, and, in particular, to arrange or change jobs for his children, kith, and kin. It is necessary to strengthen inspection of the observance of party discipline, and prevent and check possible unhealthy tendencies, without being afraid of offending others. Party organizations at the grass-roots level and the vast number of cadres must give full play to their supervisory role, bravely struggle against all activities violating discipline and the provisions and directives promulgated by the Central Military Commission and the army headquarters, safeguard party and army discipline, and make concerted efforts to ensure the smooth progress of the several important reforms of the cadre system.

Navy Cultivates Large Number of Commanders
OW3006093288 Beijing Domestic Service in Mandarin
2130 GMT 27 Jun 88

[From the "News and Press Review" program]

[Text] In recent years, academies at various levels of the PLA Navy have cultivated large numbers of qualified commanders on the sea, meeting the needs arising from the modernization of national defense. These commanders played a primary role in safeguarding the Nansha Islands [Spratlys].

The PLA Navy has made relatively good progress in its modernization efforts in recent years. A large number of warship officers have received regular military academy education. Currently, 75 percent of the captains of warships at or above the third level have finished regular education at intermediate or high-level military academies. Over 90 percent of the total number of captains of warships of various categories and heads of various naval departments have received military academy education. The People's Navy has gradually expanded its training, which in the past focused on offshore training, into the open sea; and has shifted its oceangoing training, which previously consisted of simple training subjects and had a simple tactics, into a combined oceangoing training with diversified training subjects and tactics.

Commanders at all levels of a naval unit under the Nanhai Fleet, which assumed the task of patrolling, training, and escorting in the Nansha Islands, are officers who have received education at military academies. They sailed for 40,000 nautical miles in leading a fleet to carry out missions in the Nansha Islands. During a battle in the Nansha Islands, (Yang Zhiliang,) an outstanding representative commander, who was an officer of a warship, courageously and resourcefully safeguarded the motherland's dignity and shattered the enemy's designs, and was awarded a first-class merit citation.

Ministry of Materials Inaugurated in Beijing
OW2906233188 Beijing XINHUA in English
0740 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)— A new central government organ under the State Council, responsible for managing circulation of production materials—the Ministry of Materials— was inaugurated here today.

The ministry is one of nine new departments established in line with the State Council's streamlining. Its main tasks are to exercise "comprehensive management" of the materials important to the country's economic construction, and help develop materials markets.

Its responsibilities include: Mapping out distribution plans for state-controlled materials in line with regions and departments; examining quotas of major imports and exports; planning national materials markets and guiding local markets centered in major economic regions and municipalities.

Analysts here believe that the establishment of the ministry will promote reforms in the country's system of managing materials and help build up a market-oriented economy.

According to Minister Liu Suinian, the ministry has 33 business companies under its wing, in addition to 18 administrative departments.

Dismissal of Rattan Factory Manager Rescinded
HK3006033588 Beijing RENMIN RIBAO in Chinese
28 Jun 88 pp 1, 2

[Article by RENMIN RIBAO reporters Ji Honggeng (6060 3126 6342) and Feng Xiao (7458 7197): "The Xihu Rattan Products Enterprise Incident"]

[Excerpts] After 147 days of disturbances, Qian Haoyun has finally resumed his post as president and general manager of Xihu Rattan Products Enterprise Limited.

The enterprise is not big but is quite well-known. It is the first joint venture enterprise in Zhejiang Province, jointly established by the Zhejiang Furniture and Sundry Goods Company and Hong Kong's New Arts Company

organized by Chiang Ching-jen, Chiang Sheng-ta, and Chiang Ta-ke. It is also one of the earliest and most successful joint-ventures in our country.

Unexpectedly, in early January this year, Qian Haoyun, president and general manager of the enterprise, went to Beijing in a tearing hurry, complaining that he had been illegally dismissed from his post.

Chiang Ching-jen, joint venture partner from Hong Kong and vice president of the enterprise, also sent three telegrams to the central leading department in charge of the work concerning foreign-funded enterprises, requesting that Qian Haoyun be allowed to resume his post as soon as possible.

The incident of the Xihu Rattan Products Enterprise shocked the national forum on foreign investment work, which was being held in Beijing at that time. [passage omitted]

To gain a better understanding of the matter, we should go back to an incident when a batch of rattan had to be returned in 1986.

When the enterprise was first established, New Arts Company was responsible for the purchase of rattan cane. The three partners of the Hong Kong side shared the profits thus earned. Later, Chiang Sheng-ta withdrew from the company and established a new one, the Sun Fung Hong. After that, all rattan cane was purchased by Chiang Sheng-ta. It happened once that of the 134 tons of rattan cane he had purchased for the joint-venture enterprise, there were quite a few low-quality and unacceptable canes. "Much of the rattan could not be used because the canes broke too easily," said the production, administrative, and technological personnel who had seen the rattan canes.

Qian Haoyun reported the matter to the responsible leaders of the second light industrial corporation.

But the general manager of the corporation gave the following instructions: "Do not return the rattan canes, otherwise the reputation of the Hong Kong side may be hurt. As to the losses, they can be discussed later."

Looking at the invoice of the Hong Kong businessman, Qian Haoyun felt that it was quite a thorny problem. But to show due respect for the feelings of the Hong Kong businessman, he accepted the 40 tons of low-quality rattan cane and returned 16 tons of entirely unacceptable cane. [passage omitted on how Qian Haoyun was dismissed from post because of this]

This disturbance greatly affected the normal production order of the enterprise. Many coordinated factories which relied on the raw materials provided by the Xihu Rattan Products Enterprise had to cease or partly cease their production. At the Guangzhou Fair this spring,

only eight contracts were signed with foreign businessmen, and the total volume of transactions was only \$510,000, or 28 percent of the volume transacted at the previous Guangzhou Fair.

These harmful results and the influence of law made people gradually wake up to reality.

The provincial government assumed the responsibility on its own initiative. A responsible provincial leader told reporters: "We have handled the matter rashly without understanding the overall situation. It is good for us to correct our mistakes through studying the law on joint ventures and learn something from this."

People of the provincial economic and trade department said: "The contradictions within joint venture enterprises can only be solved according to law and through consultation. In the course of developing the commodity economy and opening up to the outside world, if we do not stress laws, who will dare to do business with us?" Although this department seemed rather weak when the contradictions became acute, it did something later to help Qian Haoyun resume his post.

Of course, there are still some different opinions on this matter.

"We have lost the game because we dismissed Qian from his post without completing the formalities," said some people who were involved.

"I still cannot understand why we could not dismiss Qian from his post since we had assigned him to the post and he has been incompetent and has disregarded organizational discipline," said someone who is concerned.

It seems that some people still have not yet straightened out their ideas. Thus, it is not difficult for us to understand why the decision of the provincial government on restoring Qian to his post, which was made in April, was not carried out immediately. The circular on rescinding the illegal dismissal was issued one long month later after pressure from various sides. On 30 May, Qian Haoyun resumed his post. [passage omitted]

"Now the incident is over and we must all learn something from it." What the leading comrade of the provincial government said may be of greater importance to our work in the future.

Commentator on Running Joint-Venture Enterprises
HK3006042188 Beijing RENMIN RIBAO in Chinese
28 Jun 88 p 1

[Commentator's article: "Realistically Run Foreign-Funded Enterprises"]

[Text] It may be appropriate to say that every existing foreign-funded enterprise is just like a "mirror" reflecting our work.

To improve the investment environment of our country, it is better for us to actually do something rather than just repeatedly stress its importance. The first thing to do is to run the existing foreign-funded enterprises well.

Facts are the most convincing. The actual situation of how the existing foreign-funded enterprises are run reflects how a department or area understands the policy of opening up to the outside world and how it implements the laws and regulations on absorbing direct foreign investment. Foreign businessmen also often make their appraisal of the general investment environment on this basis.

This is also the reason the leading comrade of the State Council has repeatedly emphasized that while improving the investment environment, it is necessary to stress the importance of properly running the more than 6,000 foreign-funded enterprises that have been put into production and it is necessary to "dissect the sparrows" one by one and help them solve their problems in accordance with relevant policies.

Generally speaking, most of the established foreign-funded enterprises have achieved better social benefits and economic returns and both the Chinese and foreign sides have benefited from this. The achievements are especially remarkable in those cities such as Shenzhen and Zhuhai, which had a comparatively poor economic basis in the past and which have absorbed more direct investment from outside. Of course, it goes without saying that there are still some undesirables in this respect. The personnel disturbance at the Xihu Rattan Products Enterprise is an example of this. Fortunately, Zhejiang Province has adopted measures to correct this mistake and the president has resumed his post. As the foreign-funded enterprise is a new thing that has emerged since the implementation of the policy of opening up to the outside world, in which we do not have any experience, it is hard to avoid mistakes. The important thing is that "we should all learn something from it," as the leaders of Zhejiang Province have said.

It is not strange that all kinds of contradictions and problems may occur when a joint-venture enterprise has been in operation for a long time. The responsible companies at the higher level should stand on a higher plane and see farther ahead and proceed from the overall situation to deal with the contradictions in an appropriate way. The criterion for judging the solution of the contradictions is whether this solution is conducive to the development of productive forces, conforms to the relevant provisions and stipulations of the law on joint ventures, and can help maintain stability and strengthen unity.

The illegal dismissal of senior responsible persons of the Chinese side in a joint-venture enterprise has occurred more than once. No doubt, a reason is that the laws are not understood and implemented. But a more important

reason is that some leaders of the higher-level responsible departments are used to taking on everything and managing the joint ventures in the way the state-owned enterprises were managed in the past. When they find that a certain person they have sent to a joint venture does not suit their taste they flagrantly interfere in the matter by administrative means, thinking they have the right to dismiss anyone at any time as they please. They do not know that according to the law on industrial enterprises owned by the whole people, which was promulgated recently, even when dismissing the plant director of a state-owned enterprise, it is necessary to go through certain formalities, not to mention the joint ventures. In a document of the Ministry of Labor and Ministry of Personnel on further expanding the decision-making power of foreign-funded enterprises on the use of people, which was recently approved by the State Council, it is pointed out quite definitely that in such enterprises, the president and directors on the Chinese side should not be randomly transferred within their tenure of office. If it is really necessary to transfer them to other posts, the opinions of the organ in charge of examination and approval of the enterprise and the other side of the joint venture should be solicited and taken into consideration. The development of reform and opening up requires that people change the old ideas acquired under the old structure and discard the old form of management.

The Xihu Rattan Products Enterprise incident has finally been appropriately handled. This shows that provided our departments responsible for the work attach importance to this kind of problem and act in strict accordance with laws and policies, it is not difficult to handle such matters.

We will surely do a better job in this respect when more people have understood and learned something from this incident.

Economic Official Says Exports Abroad Increasing
OW2906224788 Beijing XINHUA in English
0719 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)— China is now expanding exports to earn more hard currency in order to import more and reduce its trade deficit with certain countries, according to a senior Chinese official.

"Therefore, the worry in the west over China's expansion of exports is unnecessary," Zhang Ge, deputy director of the State Council's Economic Zone Office, told a symposium that opened in Xiamen, Fujian Province, Tuesday.

According to Zhang, any country that wishes to increase its exports to China should expand its imports from China.

He explained: "I think the international commodity exchange is a two-direction movement. If a country curbs imports from another, eventually it will have to cut back on its exports to that country."

China is still given unfair treatment in technology imports and is opposed to technology blockades, he told the symposium.

As a developing country, China is far behind the developed countries in terms of investment environment, he admitted at the symposium, which is being attended by 100 lawyers and economists from 10 foreign countries and Hong Kong.

"China is ready to solicit overseas opinions and suggestions in that respect, and measures are being taken to make sure that foreign entrepreneurs can operate enterprises in China according to internationally accepted practices," he said.

To date, China has signed agreements on promoting and protecting investments with 10 countries including Britain, Canada, the Federal Republic of Germany and Italy.

It has also signed agreements on avoiding dual tax and preventing tax evasion with the United States and 10 other countries.

Now, 2,700 lawyers' offices throughout China provide legal services to foreign business people, Zhang said.

Since 1979, China has imported 14,000 items of technology and approved 10,000 foreign-funded enterprises, 4,300 of which are operational. Foreign firms have already invested a total of 8.78 billion U.S. dollars in these ventures.

Poor Quality of Foreign Imports Protested
HK2906110588 Beijing CEI Database in English
29 Jun 88

[Text] Beijing (CEI)—China announced here that 14.67 percent of imported commodities inspected from January to April this year had problems not only in quality but also in quantity.

The director of the State Administration for the Inspection of Import and Export Commodities told XINHUA on June 27 that his department had discovered such problems in 4,572 out of 31,000 shipments of products imported in the January-April period.

As a result, Chinese foreign trade departments have claimed damages from those responsible, he said.

In 1987 alone, more than 129,000 shipments of imported commodities were inspected and 17,834 were found to be below the standards set in the contracts.

The foreign trade departments claimed more than 120 million U.S. dollars in damages last year, according to the administration.

For example, Tianjin purchased from the United States 70 sets of color photograph developing equipment at a total cost of 2.8 million U.S. dollars during the first quarter of this year. Within the warrant period, it found 68 sets of the equipment to be of poor quality.

Also, Jiangsu Province inspected 25 lots of washed wool imported from Argentina between January and March this year, but it found 10 lots—40 percent of the total—did not meet the required standard.

A kinescope company in Fuzhou imported 10,000 sets of color kinescope parts from Japan, but it found a shortage of 1,000 sets when they were delivered.

According to a report from Hunan Province, a meat-processing plant imported from Switzerland a sausage and ham production line worth of 300,000 U.S. dollars. When it was delivered to the plant it was found to be the wrong model and was even partly damaged.

The director urged, to solve these problems, the relevant departments should tighten inspection of imported commodities while improving work efficiency and quality.

Development of Export-Oriented Economy Discussed
HK2906054388 Beijing GUANGMING RIBAO
in Chinese 18 Jun 88 p 3

[Article by Li Jingwen (2621 0079 2429) and Fang Hanzhong (2455 3352 0022): "Several Questions Concerning the Development of the Export-Oriented Economy"—passages in boldface as published]

[Text] The export-oriented economy, or the export-guided economy, belongs to a historical category. It is an outcome of gradually realizing the commercialization, industrialization, and modernization of economy. It is thus named to differentiate from the domestically oriented economy. Whether a country or a region should adopt the strategy of export-oriented economy (or export-guided economy) or the strategy of domestically oriented economy (or import substitution strategy) is not merely a foreign trade strategy, but is also an economic development strategy expressed from an angle of foreign economic relations. The basic task of the strategy of export-guided economy is to promote actively the production of export goods so as to bring about an overall development of the national economy. Therefore, the core of developing the export-oriented economy is to expand export. Only thus can we earn more foreign exchange, introduce more advanced technologies, and purchase more resources and spare parts from abroad, and can we really achieve the purpose of "vigorously promoting both import and export."

Since the founding of the state, China's export trade has been greatly developed. Total export volume increased from \$0.55 billion in 1950 to \$27.36 billion in 1985, which was an increase of 497 percent. However, when compared with Japan, we have still lagged far behind either in the growth rate or the absolute value of export. A main reason for this is that the economic returns of our exports are not as high as they should be. Thus, we should make efforts to solve this problem from the following three aspects:

1. Structure returns. China's foreign trade structure is quite detrimental to the development of an export-oriented economy. The biggest defect of this structure is "everybody eating from the same big pot" and lacking motivation and pressure. It was reported that recently, a county applied to establish a medium-scale Sino-foreign joint venture. But, since the matter had to be examined and approved by 14 committees and offices and 19 bureaus, it still could not be done after over a year had passed and some 126 chops had been put on the documents of application. Unlike our system of "eating public grains" and "everybody eating from the same big pot," foreign businessmen are "eating private grains." In addition, as bank interests do not allow any delay either, many of them are greatly worried when doing business with China; some are even terrified by the sight of the slow speed of China's big machine. Judging from the viewpoint that time is money, a high work efficiency is more important than preferential tax treatment. A good example of this is that although the tax policies of the "four small dragons in Asia" are not as preferential as ours, many foreign businessmen are still more willing to do business with them. Therefore, to attract more foreign funds and expand exports, a pressing task for our country is to reduce the spare parts of this big machine and increase our structure returns. To this end, it is necessary to deepen our structural reforms. At present, many industrial enterprises and foreign trade enterprises have begun to adopt the contract system. This will help solve the problem. However, it is necessary to further improve the contract method and prevent the trend of short-term operation of enterprises.

2. Quality returns. Japanese customs statistics show that in 1984, China's export of men's and women's jackets and bird down to Japan respectively accounted for 46 and 66 percent of Japan's total import of those products in that year. It looks exciting if we merely look at the figures, but if we make a comparison of prices, we will be depressed. The average price of men's and women's jackets imported by Japan in the same year was \$81 per dozen, but the export price of Chinese jackets was only \$46 per dozen; the price of bird down imported by Japan from Taiwan and Hong Kong was over \$20,000 a ton, but the export price of Chinese downs was only more than \$2,000, or 1/10 of the average import price! Apart from trade protectionism, another important reason for this is that Chinese products lack competitiveness in the international market in respect to quality. At present, competition in the international market is focused on

quality (including design and packing) other than prices. Since our natural resources are limited, in developing the export-oriented economy, we have mainly promoted the export of labor-intensive products, relying on the export of low-grade, low-quality, and low-priced products. Facts prove that it is impossible to succeed merely by increasing the quantity. It is necessary to increase greatly the quality and grade of export goods so that more foreign exchange can be earned with the same quantity of products. "Larger sales at a small profit" and "low-priced dumping" are two entirely different concepts. Positive effect is achieved through the former, but negative effect is achieved through the latter. Therefore, it is necessary to increase quality returns by strengthening scientific management and promoting technological progress.

3. Lubrication returns. When some links are obstructed, a machine cannot move smoothly. It needs to be lubricated. In international trade, in order to dredge the channels of marketing and open up more markets, it is necessary to adopt flexible methods. Apart from observing international commercial laws and strictly carrying out contracts, it is also necessary to follow some common international practices, such as giving all kinds of commissions to the brokers and go-betweens. Our country is a socialist country. We must be honest in performing our domestic duties. But in foreign trade, we must also observe some common international practices, just as we observe international regulations when participating in international sports competitions. It often happens that some low-quality but high-priced commodities are selling well in the international market while some low-priced but high-quality products are unable to sell. The reason is that attention is paid to the lubrication returns in the former case and no attention is paid in the latter. What are "lubrication returns?" For example, to prevent giving 1 percent of commission, we would rather sell the commodities worth \$1 million at \$100,000. Thus, we will lose \$890,000 of lubrication returns. In our foreign trade, we have already suffered a great deal in this respect. However, very little improvement has ever been made. A method to the solution of this problem is to recognize the lubrication returns and follow common international practices.

At present, there are often sudden changes in the international market. As a result of the slump in the U.S. dollar and the sharp increase in the value of the Japanese yen and the currencies of the "four small dragons in Asia," the prices of labor have increased in those countries and regions whose currencies have appreciated, which has promoted the shifting of the labor-intensive industries to other countries and regions. This is undoubtedly a good opportunity for China, which has rich labor resources. An investigation of 5,271 Japanese enterprises by the Japan-China Economic Association in 1987 shows that 34 percent of them were planning to invest in China, ranking the third [as published]. As China has adopted a series of policies of reform, opening up, and invigoration, there are already more than 10,000

enterprises using foreign funds in our country. In 1987 alone, some 2,230 such enterprises were established. Therefore, to develop this excellent situation, apart from the efforts to further explore many theoretical and practical question, a pressing task is to solve the above-mentioned three problems concerning the structure returns, quality returns, and lubrication returns.

Use Foreign Experiences To Fight Inflation
HK2906063688 Beijing ZHONGGUO XINWEN SHE in Chinese 0342 GMT 28 Jun 88

[Report by Chen Liyu (7115 4539 1342): "The Chinese Mainland May Draw on the Experiences of Thailand and Taiwan in Tackling the Problem of Inflation"]

[Text] Beijing, 28 Jun (ZHONGGUO XINWEN SHE)— Since the beginning of the 1980's, inflation rates in various countries and regions, such as Thailand, Singapore, South Korea, and Taiwan, have tended to drop. In a special interview with this reporter today, Jing Xuecheng, assistant research fellow at the Banking Research Institute of the People's Bank of China, pointed out that since China's current rate of price increases is relatively higher, we should draw on their experience in tackling the problem of inflation.

Jing Xuecheng said: Take South Korea and Taiwan as examples. At the stage of economic takeoff in the 1950's and 1960's, they resolutely adopted regulatory measures centered on the use of high interest rates to attract savings deposits, thus laying the financial framework for controlling future inflation. At that time, to prevent high interest rates from dampening the enthusiasm of enterprises for investment and production, they also provided important economic departments with large amounts of credits to achieve the aim of both controlling inflation and stimulating economic development. The Taiwan authorities also set ceilings on credit interest and, in accordance with the needs of economic growth, regulated the interest rates on numerous occasions. Such a packet of monetary and credit regulatory measures has undoubtedly played a positive role in controlling inflation and stimulating economic growth. To date, these concerted measures still manifest their power from time to time.

In the past the Chinese mainland adopted a single measure of either adjusting the interest rates or restricting credits. Now we should combine them. As far as the current financial and monetary environment on the mainland is concerned, it is necessary to substantially raise the interest rates and to implement, in a selective way, a contractory or relaxed monetary policy suited to the readjustment of the economic structure. For some time to come, the People's Bank of China (the central bank) will face the test of whether it can integrate increasing interest rates with the choice of overall credit pattern and target.

According to Mr Jing, all the countries and regions mentioned above regard the readjustment of production structure as a fundamental way to resolve the problem of inflation and as an economic basis for continued economic growth. Their principal measures are to develop new industrial departments and tertiary departments, particularly boosting the production of the export product departments and the export of traditional resources, to stress the development of prior processing and intensive processing products, and to shift from labor-intensive products to the development of technology-intensive products. Thailand is relatively conspicuous in achieving the readjustment of its production structure. It attaches more importance to diversification of new economic structures in agriculture, industry, and services trade and to diversification of commodity production and sales markets to avoid the unfavorable effect of fluctuations in the world economy and the growing trade protectionism. There is much in these measures and experiences that the Chinese mainland can make use of.

Relevant data shows that in the 1970's the inflation rate in South Korea, Singapore, and Thailand was 13.4 percent, 1.2 percent, and 2.5 percent respectively. In 1987 it was 3 percent in South Korea, minus 0.43 percent in Singapore, and 3.17 percent in Thailand. Between 1980 and 1981 the inflation rate in Taiwan was 14-15 percent. It dropped to about 1 percent last year. The overall trend of lowered inflation rate is fairly obvious.

Procuratorial Official on Economic Crime Rise
OW2906185088 Beijing XINHUA in English 1129 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)— Procuratorial organs in China instituted over 10,200 economic crime cases, including 1,600 serious ones, from the beginning of this year to the end of April.

They included embezzlement, bribery and tax evasion. Investigations have been completed on 6,200 cases and more than 3,400 persons have been prosecuted. Some 77 million yuan in illegal funds was recovered.

This was disclosed by Liang Guoqing, deputy chief procurator of the Supreme People's Procuratorate, at a press briefing here today.

During the same period, he said, procuratorate at all levels issued arrest warrants for more than 108,000 people. They also decided to prosecute over 68,000 cases.

At the same time, public procurators throughout China filed more than 3,800 cases of illegal detention, dereliction of duty and responsibility for serious accidents.

Of these, more than 2,300 cases have already been handled, leading to the prosecution of 1,800 persons.

Liang said that the social and economic order in China is stable. But as the reform and open policy progress, new problems crop up and criminal cases are likely to rise.

The main task of the procuratorial organs in the latter half of the year is to continue to fight against economic crimes. Communist Party officials and government functionaries involved in such crimes will be severely punished according to law.

He stressed the principle of everyone being equal before the law. "All cases must be handled justly, no matter who is involved," he said.

Procuratorates will also investigate any cases which infringe upon the democratic and personal rights of the citizens, so as to protect their lawful rights, he added.

Commentator on Caution in Coastal Economy
HK2906091788 Beijing RENMIN RIBAO
in Chinese 25 Jun 88 p 1

[Commentator's article: "Advance Steadily by Discovering the Facts, Avoid Stirring Up an Undesirable Wind—Seventh Commentary on Strategies for Economic Development of Coastal Areas"]

[Text] While implementing strategies for coastal economic development, we should be bold and do all we can. In the meantime, we should advance steadily by discovering the facts.

1. This year, various localities in the coastal areas have demonstrated their unprecedented enthusiasm for developing an export-oriented economy. They have worked out plans one after another, and put their measures into effect. They are striving to turn the strategic aims of the CPC Central Committee and the State Council into their own practical actions. This momentum should be maintained, but there are some phenomena which make people feel worried. We should conscientiously pay attention to them.

2. For example, to attract foreign capital, some localities vie with one another in announcing their preferential policies. Various kind of news release meetings and briefings have been repeatedly held. Some localities offer more preferential methods and lower prices than others. It seems that they are competing with one another in order to attract foreign investment. Are preferential policies needed to develop an export-oriented economy? The answer is yes. However, this cannot be regarded as the only condition for attracting foreign capital. Various localities must not go their own way and compete with each other in offering lower prices. Just as a figure in economic circles abroad has pointed out: The fact that various localities compete with each other in offering preferential conditions will not necessarily attract foreign capital. On the contrary, the present situation might undermine the unified policy of the state, and cause conditions for investment to become very complicated.

As the saying goes, "Knowing the enemy and knowing yourself, you can fight a hundred battles with no danger of defeat." Preferential policies must have some basis, and certain limits. With such prerequisites, we should be familiar with the international market situation, and understand the intentions of foreign businessmen. If we fail to do so, or know little about the international market and the intentions of foreign businessmen, our actions to reduce prices can be nothing more than wishful thinking. Furthermore, there are many factors determining whether investors will come to China. These factors include "hard environments" such as communications and transport, energy, power supply, raw and processed materials, and so on. They also include "soft environments" such as culture, language, customs, habits, the economic system, ideological concepts, work efficiency, and so on. If the fundamental facilities in a certain locality are poor, its power supply insufficient, its channels for the supply of raw and processed materials obstructed, its entry and exit formalities complicated, the decisionmaking power of its enterprises cannot be guaranteed, its yamen are too numerous, and its work efficiency is low, can it truly attract investors, even though it offers many preferential conditions? As far as coastal areas are concerned, their main efforts must, first of all, be truly focused on fundamental work such as developing their basic facilities, grasping well the systematic reform of their mechanisms, training well various kinds of personnel at all levels, and so on. They can only create a new situation in developing an export-oriented economy by doing the above-mentioned work well in addition to certain preferential policies.

3. Let us take another example. Some localities are establishing one after another (or preparing to establish) processing zones for foreign enterprises regardless of their own subjective and objective conditions. The experiences of Guangdong and other places have told us that when internal and external conditions exist, establishing processing zones for foreign enterprises is a good method for developing an export-oriented economy and attracting foreign capital. The key to success lies in conditions. However, if, without sufficient conditions, or being sure of success, localities vie with one another in establishing processing zones like a swarm of bees, or make hasty decisions on establishing processing zones, it will be dangerous. We should realize that even though we have established a processing zone, investors will not come automatically. Even though we establish processing zones on a large scale, only a few investors might be attracted. Does this not mean great waste? All this will be detrimental to stabilizing our country's economy, or to further implementation of the policy of reform and opening up. However, this does not mean that we must not establish processing zones for foreign enterprises. They must be established on the basis of sufficient investigations and studies, and in a planned way and step by step. We should follow the principle of acting according to our capability. We must resolutely avoid the practice of rushing headlong into mass action like a gust of wind.

Let us look at another example. Hearing about the reports on opening up, some localities immediately send large numbers of people on visits. Members of local party committees, governments, people's congresses, and CPPCC branches repeatedly go southward in groups for visits. Some localities have even gone so far as to simultaneously send several groups of people to pay visits to Guangdong and other places. This not only aggravates the difficulties of local governments in providing board and lodging and means of transportation, but also interferes with local work, and wastes large amounts of state money. The results of the visits are, very often, not ideal. There is no need for us to mention that some people go sightseeing in the name of inspection. After the visits, some people copy mechanically what other localities have done. This means getting half the results with twice the effort. Even if visits and inspections are needed, there must be some limits in addition to proper arrangements. Rushing off for visits is not desirable, because the places which are visited will be at a loss what to do.

Just as they did during previous "economic campaigns," some localities fail to proceed from local conditions. They blindly issue instructions, or assign tasks to various levels. They intend to "promote" the development of an export-oriented economy by adopting this method. They do not know that it is precisely this method which violates the law governing economic development. By relying on this method, it is difficult to achieve good results. On the contrary, it will create difficulties and cause pressure, and dampen the enthusiasm of the grass-roots levels. This working method goes against objective economic laws.

The above-mentioned situation shows that although "leftist" ideology and the metaphysical method of thinking, which played a considerable role in our economic life for a long time, have been greatly overcome in recent years, and the work style of proceeding from reality has been created in our economic work, the old formalistic ideological style has not yet been completely eliminated. We should always be on our guard against this.

The strategy for coastal economic development is a great project on a scientific basis. Its implementation demands that we maintain our full enthusiasm and high fighting will. We should not only pursue the spirit of seeking truth from facts, but also follow a down-to-earth manner in work. We should be bold and do all we can. In the meantime, we should act with caution. It is not an easy job to integrate these two kinds of working methods.

As far as leaders of various coastal areas are concerned, at present they should, first of all, conscientiously study and understand the domestic and international situation. They should be aware of their strong points and weak points. Proceeding from local reality, various coastal areas should develop their strong points and avoid their weaknesses, and work out feasible short-term

and long-term plans. They should implement their plans in a conscientious and practical way. They should on no account pay lip service only, let alone stirring up an undesirable wind.

Party Official Calls for New Economic Order
OW2906232988 Beijing XINHUA in English
0804 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA) - A new order is needed for the fast-developing socialist commodity economy in China, according to a leading figure in the Communist party of China (CPC).

Bao Tong, director of the Political Structure Reform Center under the CPC Central Committee, told the latest issue of the "WORLD ECONOMIC HERALD" that a new order for the socialist commodity economy is a new concept put forward recently by Zhao Ziyang, general secretary of the CPC Central Committee.

According to Zhao, what China built in the past was an economic order serving the product economy, and no longer suits the ongoing development of a commodity economy, the weekly said.

Legislation, systems, standards of social conduct and ideas should be in keeping with the socialist commodity economy. Otherwise, there will be loopholes, turmoil, disconnections and imbalances, Bao was quoted as saying.

"On the one hand, the economy in China is thriving, but on the other there are numerous problems. The main reason is the absence of a new economic order", Bao said.

"If we seize the chance to study how to establish a new economic order, we will be able to avoid some detours", he told a seminar on the reform of the political structure held in Beijing recently.

"Since the reform of the economic structure and of the political structure have a common goal— to propel the productive forces, workers in both fields should try to make a careful study of the problem of establishing a new economic order", Bao said.

Daily Urges Faster Private Economy Growth
OW2906093988 Beijing XINHUA in English 0150 GMT
29 Jun 88

[Text] Beijing, June 29 (XINHUA)— The "PEOPLE'S DAILY" today called for formulation of new policies and regulations to accelerate the growth of the private economy, which it says is far from "big enough" in China.

In a commentary, the newspaper said that ownership in the primary stage of socialism, which China is now undergoing, is characterized by the fact that the public ownership takes a predominant position, while various economic factors co-exist.

Said the commentary: "As the primary stage of socialism covers a fairly long historical period, to encourage the development of private businesses is by no means an expedient measure, but a long-term policy."

By the end of 1987, China had 225,000 private businesses, each employing at least eight people and with a total workforce of 3.6 million.

If the number of these businesses grows to two million and if they produce 10 percent of China's industrial output value, they will be able to provide 36 million job opportunities, it predicted.

The commentary praised the businesses for their role in promoting production, enlivening the market, providing more job opportunities and facilitating people's livelihood.

Meanwhile, the State Council today released three sets of regulations— interim regulations on private businesses, interim regulations on income tax of private businesses and provisions on levying individual income regulatory tax on investors in private businesses.

The regulations are designed to further encourage the growth of private businesses and tighten their management, the commentary said.

The regulations specify rights and obligations of the enterprises. For example, investors in private businesses have the right to own the property of the businesses and the property is inheritable.

The commentary called on private business owners to take up what it called the "law weapon" to fend off extortion and defend their legitimate rights and interests.

Inflation Linked to Industrial Growth Rate
HK2906013788 Beijing CHINA DAILY
in English 29 Jun 88 p 1

[Text] The current high industrial growth rate in this country has given rise to an inflation in the money market, resulting in more price hikes, according to ECONOMIC DAILY.

In the first five months this year, China's industrial growth rate reached about 17.1 percent, the newspaper said yesterday.

Some financial experts believe that the growth rate should be cut to 10 per cent in a bid to achieve a healthy and comprehensive development of the country's industry, the paper said.

Compared with the same period last year, the money supply in the first five months this year went up 30 per cent to 10.7 billion yuan, said Rong Fenge, director of the Fund Administration Department from the People's Bank of China.

Rong said that if no measures are taken, the total money supply this year will far exceed the planned amount.

The issuance of too many bank notes will stimulate rises in prices, creating more difficulties for the on-going reforms and sustained development of the economy, he said.

The high growth rate also has caused a sharp increase in industrial loans, widening the gap between the supply and demand of money, said Jin Yitian, vice-director of the Credit Department from the Industrial and Commercial Bank of China.

The loans allocated in the first five months this year climbed to 34 per cent of the total, surpassing the usual percentage during the same period in the past few years, Jin said.

Meanwhile, the savings deposit of the Industrial and Commercial Bank this year increased only 13.3 billion yuan, 3.6 billion yuan less than the same period last year, he said.

Chen Yaodian, vice-director of the survey and statistics bureau from the people's Bank of China, said that the increasing money circulation gives a great impetus to inflation in the country.

The money in circulation in the market in the first five months this year increased 30.5 per cent over last year, and the figure by the end of May was 11 percentage points higher than that at the very beginning of this year, Chen said.

Frightened by the price hikes, people tend to spend their money as quickly as possible. As a result, the growth rate in savings deposits of banks in rural and urban areas in the first five months of this year was 9 percentage points lower than last year, he said.

The high growth rate of the country's township enterprises, about 39.3 per cent in the first five months this year, also depend on an irrational structure of production funds, said Yang Puwen, Director of the Industrial Credit Department from the Agricultural Bank of China.

Urban-Rural Gap Stifles Development
OW2906233688 Beijing XINHUA in English
0713 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)— One of the defects of China's present social structure is that Chinese residents are divided into urban and rural groups, according to today's "CHINA DAILY".

The division, created by the country's systems of household registration, conscription, grain supply and housing, has caused differences in economic and political benefits between urban and rural people, as well as many other problems.

Rural Chinese are not allowed to move into urban areas to find jobs and live unless they are admitted to a college or university because of the household registration system.

Urban people enjoy the grain rationing system whereby coupons provide every adult with an average of 16 kilograms of grain a month, which is more than enough. The rationed grain is low-priced and not affected by good or bad harvests, but the state is burdened with grain subsidies.

Soldiers from rural areas have to return to work as rural laborers after leaving the Army, while demobilized soldiers from urban areas are given jobs in cities by the government.

Housing in China is allocated to urban employees by state-run enterprises or institutions. China's subsidized public housing system costs the state 30 billion yuan (8.1 billion U.S. dollars) annually. Rents for public houses have been kept low.

But the state does not fund the buildings in rural areas, although the per capita income of rural residents is half of city dwellers.

Moreover, China pampers its urban populations by keeping food prices in cities lower than purchasing prices in the countryside. The government makes up the difference.

Such a social structure has caused serious problems in the country, which require government attention.

Subsidies cause low prices, which provide an incentive for excessive consumption in the cities. This in turn forces the state to increase subsidies, creating a vicious circle.

In contrast, the state pays less attention to the interests of rural laborers. According to statistics, rural laborers turned over 300 billion yuan to the state between 1981 and 1985. But the state's investment in agriculture decreased from 5.79 billion yuan in 1979 to 3.84 billion yuan in 1986.

The lack of a flow of laborers between rural and urban areas has impeded the establishment of the labor markets.

China's irrational social structure has impeded the progress of its industrialization and urbanization.

It is, therefore, necessary to readjust the relationship between rural and urban areas and especially to get rid of the excessive favoritism to city dwellers.

Housing reform should be carried out carefully and government housing subsidies should be reduced.

The reform should aim at changing the existing low-rent urban housing system.

Furthermore, it is imperative to abolish all the subsidies for food and abolish the grain rationing system to lighten the rural laborers' burden and stop the waste of grain.

A new employment system should be introduced which would allow people to find jobs best suited to them. Surplus rural laborers should be allowed to reside and work in cities if they have houses there.

The country's public medical service should be reformed. People who now enjoy free medical care should pay part of the charges.

'Letter From Beijing' on Rural Reform, Development
HK2906021388 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 26, 27 Jun 88 p 1

["Letter From Beijing" by Bao Xin (7637 0207):
"General Trend of Thought on Reform and Development of Rural Areas in China"]

[Text] Dear brother:

The orientation of China's rural reform in the future may be a question that many domestic and overseas people are concerned about. Now I would like to brief you on something I have learned from the authorities concerned.

The first step in China's rural reform was the adoption of the household contract responsibility system. This solved the issue of combining the peasants' individual interests with their collective interests. It also created a condition for the peasants to enter the markets. As we all know, this step has brought unprecedented economic prosperity to the countryside. However, the main weak point of the household contracted operation is small scale and scattered operation. Therefore, the scale of farming operation in the future should be gradually enlarged to an appropriate degree.

How should we realize larger scale operation? Historical experience shows that we should not repeat the previous practice of merging all peasant households to realize scale operation. Now the most important thing is to shift the labor force to nonfarming industries and to readjust the production structure in the countryside. It is expected that in the future, about half of the rural labor force will be shifted to nonfarming industries, which are mainly composed of various township and town enterprises. In the future, cities will continue to develop, and

will also absorb some rural laborers. However, commerce and service trades in towns and villages where there are more township and town enterprises will develop substantially. Then, agriculture will be based on specialized production. More laborers engaged in agriculture will conduct specialized production. Animal husbandry will become independent from agriculture, and some scale operation in animal husbandry should be developed. For example, more animal breeding farms and chicken breeding farms should be built, and around them, more peasant households can specialize in raising pigs and chicken. These specialized households should also be able to obtain such services as animal breeding and disease prevention. At the same time, meat processing plants and cold storage plants should also be built in the same locality. All these production links can provide many jobs for local peasants. In the future, animal husbandry, sideline production, and fishery will all develop independently, and this will solve the employment issue in the rural areas step by step. At present, our agriculture is facing the problem of relatively rare land resources versus a large rural population. In the future, the population will continue to increase and will cause greater difficulties. If agricultural production is conducted on a larger scale, this will have the effect of increasing land. However, this is a rather slow process, and we must not be overanxious. We should gradually change the ancient-style small-scale farming operation into modern farming operation, so the operation scale should be enlarged to an appropriate degree, and farming should be more intensive. The degree of specialization in our countryside and our agricultural productivity is still rather low. In the near future, it is impossible for China to raise farming operations to the same degree as in the United States where a farm household manages thousands of acres of land. In the past, we thought that socialism meant large-scale production on the basis of a high degree of public ownership. So we merged the peasants' land into a very large area. However, our means of production remained in the ancient manner and style. In fact, the shift of labor force should be the result of the industrialization of the economy.

We must not repeat the old practice of merging all the land to seek large production scale on the basis of a high degree of public ownership. Then, what social organizations should we rely on? Of course, the forms of the relevant social organizations should be in line with the theory and practice of the initial stage of socialism and in line with the development needs of the commodity economy. Economic combinations can be formed in the production, marketing, or services links. Of them all, the most difficult thing is to realize the combination of land.

At present, people have made many proposals on scale operation, and we should create conditions and allow peasants themselves to make selections. The market mechanisms should be introduced to the countryside so that the peasants can find necessary conditions and opportunities on the markets. Here, markets refers to both the markets for final products (or the markets for

consumer goods) and the markets for various production factors (namely, land, labor, and funds). If these two kinds of markets are enlivened, the peasants will be able to make selections flexibly. This year, it is planned to enliven the markets for production factors, especially the land market, through reforms so as to arouse the initiative and enthusiasm of the peasants for making more land investment. At the same time, this will relatively concentrate the land in the hands of some peasants who are more skillful than others in farming. At present, some peasants may have too much land; but for other peasants, the land they can manage is insufficient. In some cases, some people who possess land do not properly manage and use their land to produce more crops; in other cases, some people who desire to produce more crops are short of land. Therefore, the central authorities have decided that peasants should be allowed to transfer their land on a compensable basis. In the course of exchange and transfer, a certain land price should be formed. People should be able to obtain differential returns from their land investment. At the same time, the state and the collective should continue to maintain ownership and control over the land. This will prevent the waste of land. In order to solve any possible disputes over the transfer of land, all villages can set up their own land assessment committees. If these committees cannot settle the disputes, lawsuits can be filed in the courts for arbitration. In short, the degree of land shortage should be reflected through the market.

Township and town enterprises should adopt the joint-stock system. The existing assets of these enterprises can be regarded as public assets jointly owned by the villagers, or can be turned into shares which are sold to individual shareholders. Funds can be obtained by the enterprises through the issuance of shares to individual subscribers. With the establishment of the joint-stock system, the banks should organize and guide the stock markets.

In the past, local governments built many irrigation works in the countryside, and water was supplied gratis. If the reservoirs were damaged, the governments lacked money to repair them. Now, this system must also be reformed. Therefore, it is necessary to open the funds market, and interest rates should be raised. Loans should be made on the basis of pledges and guarantees.

The system of fixing prices for farm products and raw materials should also be reformed. In the past, the prices of farm products and raw materials were too low. In the long run, this only encourages waste and obstructs production. The degree of scarcity of farm products and raw materials should be reflected in their prices. At present, supplies of grain are the most inadequate, but its price is the lowest. This is unreasonable. The interest relations of various social groups should be regulated and adjusted through the price reform, and the unreasonable distribution should be changed. In the future, people will have to

buy things produced by peasants in light of market prices; at the same time, necessary taxes should also be resolutely imposed on the peasants.

Sincerely,

Bao Xin (19 Jun)

High-Quality Hybrid Rice Cultivation Successful
OW2906233488 Beijing XINHUA in English
0727 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)— The cultivation of a kind of high-quality hybrid rice, developed by Yuan Longping, a Chinese expert on rice breeding, resulted in an increase of 50 million tons of rice between 1976 and 1987 nationwide, today's "PEOPLE'S DAILY" reported.

In the period, the paper said, the hybrid rice was planted on 73 million hectares of land.

This year, 12 million hectares of land, or one third of the country's rice paddies, has been planted with the hybrid rice.

Over the past few years, the quality of the hybrid rice has also been improved, the paper said.

The paper reported that China's development of hybrid rice has drawn attention from other countries. For instance, two companies in the United States have bought the technology and gained initial success in seed breeding.

Peasants 'Urgently' Need Farm Chemicals
HK2906152388 Beijing NONGMIN RIBAO in Chinese
20 Jun 88 p 1

["Roundup of Letters" by Li Shaofeng (2621 1421 1496): "The Peasants Yearn for Farm Chemicals But Where Are They?"—passages in boldface as published]

[Text] This is a crucial season in the growth of farm crops. Readers from Jiangsu, Fujian, Anhui, Hubei, Shandong, Shanxi, Henan, and Hebei have written to this newspaper, saying that owing to various factors, such as dry weather, low temperatures, or an unbroken spell of wet weather, some farm crops, especially cotton and early rice, have been infested with plant diseases and insect pests. In their letters, Hu Jinling of Tongcheng County and Xie Xingui of Penglai County wrote that, when we are striving for high yields, because the measures for preventing and controlling plant diseases and eliminating pests fall short of demand, we can just sit and watch plant diseases and insect pests spread. This will inevitably affect our grain and cotton harvest this year. May I ask how sad the peasants are? We urgently need farm chemicals!

The peasants are worried about the shortage of farm chemicals. Xiao Lianhua wrote from Wenan County: Liumo township has planted 4,000 mu of cotton, and the seedlings are growing well. But recently they have suffered from plant diseases and insect pests. We urgently need Yanghualleguo [8638 0553 2867 2654] pesticide to eliminate the pests, but it is unavailable everywhere. Zhang Gaoqiang of Huailai County said in his letter: Situated in a mountain area, we chiefly plant fruit trees. In the past there has been a prompt supply of farm chemical No 1605 every year, but it is unavailable throughout the county this year. In his letter, Li Jianpeng of Hejin County called on the relevant department to immediately find sources of pesticide to meet the needs of the peasants and rescue the farmland from danger.

The prices of farm chemicals have risen so steeply that the peasants cannot afford them. Wang Fuyuan wrote from Guannan County: Originally the state listed prices of Yanghualleguo, Xinliulin [6580 4268 4340], Dishasi [2420 3010 2984], and Miebaiké [3319 4102 0668], respectively, as 8.8 yuan, 8 yuan, 30 yuan, and 24 yuan per kg, but after the price increases they are generally 18 yuan, 13 yuan, 50 yuan, and 34 yuan per kg, respectively. These are the opening prices in some units. On the black market, the price of Yanghualleguo is 30 yuan and that of Miebaiké is more than 90 yuan. According to a survey conducted in a township with 40,000 mu of cultivated land, the rising prices of farm chemicals have caused the township an extra outlay of 440,000 yuan. Zhou Yuen of Huiyuan County issued a call: "Put an immediate stop to the rising prices of farm chemicals or else the peasants will not be able to afford them."

Who is responsible for the failure to manage the farm chemicals markets effectively? Some pharmaceutical factories reportedly have put "money" above everything else. Instead of selling their products according to the state listed prices, they seek exorbitant profits by selling them on the black or semi-black markets through various illegitimate channels. In his letter, Hui Junsheng of Dingzhou City said: Taking advantage of the shortage in farm chemical supply, some non-chemical producing factories have produced fake or poor-quality chemicals or mixed the spurious with the genuine. Some 58 kinds of farm chemicals have been discovered in Dingzhou City. Wang Weinong of Pei County reported: The agricultural technology popularization center in Baibu township has purchased 2 tons of Yanghualleguo. It is marked that each bottle contains 2 jin of chemicals, but when it was weighed, it was 2 liang short. Being eager to purchase farm chemicals, some peasants can only buy them from private peddlers. There are no ends of examples in which farm chemicals have either exceeded the expiration date or been mixed with water or yellow sand, which costs a lot of effort, labor, and money to no avail. The peasants hope that the relevant departments will take a hand in this matter.

Where does the mystery of the shortage and price increases lie? As Ren Zhicun of Wuan County analyzed it: 1) There has been an increase in the areas sown with

grain and cotton this year; due to the shortage of raw materials, the factories producing farm chemicals cannot go into full production capacity, thus intensifying the contradiction between supply and demand. 2) There are so many intermediate links between producers and consumers, with prices increased at every level, that the prices of farm chemicals have snowballed. 3) Speculation and cross trade have made the shortage of farm chemicals even worse. 4) It is also caused by the unhealthy practices of the operational and management units, which is based on relationship and the granting of benefits and rebate.

The peasants urgently call for the adoption of effective measures. Ning Dehua wrote from Lijin County: At the First Session of the Seventh NPC, the peasant delegates strongly called for a guaranteed, rational supply of the means of agricultural production. In their letters many readers called on the relevant departments: 1) To foster the idea of supporting agriculture and being eager to meet the needs of the peasants; 2) to try as far as possible to directly link the producing and marketing departments by cutting the excessive intermediate links and reducing the distance between them; 3) to straighten out the pricing system to avoid irrational price increases; 4) to resolutely stop indiscriminate price increases and crack down on speculation and profiteering activities; and 5) to resolutely struggle against unhealthy practices in business operations. In his letter Ji Yaobin from Baima township, Zhongning County, Ningxia Autonomous Region, wrote: The peasants urgently hope that immediate measures can be taken to solve the pressing need and to protect the peasants' enthusiasm for growing rice and cotton.

Reform Deadlock Needs Sale of Property Rights
HK2906054788 Beijing GUANGMING RIBAO
in Chinese 18 Jun 88 p 3

[Article by Chang Xiuze (1603 0208 3419) and Ge Xiaoyu (2047 2556 1342): "Reasons and Principles for Opening the Property Right Market"]

[Text] At present, the in-depth enterprise reforms are deadlocked. How should we break this deadlock and deepen the economic structural reform? We need to make new explorations. In our opinion, consideration should be given to the proposal for opening the property right market. Here, we would like to discuss the reasons and principles for opening this market.

There are profound reasons for the opening of the property right market:

First, since 1978, major changes have occurred in the distribution structure of China's national income. As compared with things in 1978, the final income of the residents in 1986 increased by 220 percent, and the savings of the individual residents increased 18.9 times, accounting for 37.49 percent of the net national savings. The savings of individuals have exceeded the savings of

the government institutions and the urban and rural production units, and rank first, thus becoming a major variable that affects the macroeconomic operation. The huge amount of individual savings now also pose a potential threat to the current market supply, price stability, and even the entire reform process. How should we cope with this problem? It is impossible to restore the previous distribution structure of the national income. Many factors also restrain the continuing rise in the interest rates for savings accounts in the banks. In addition, this will not help diversify the structure of the personal assets of the residents. In these circumstances, the opening of the property right market will help cure this disease. If individuals are allowed to purchase property rights and operate enterprises, this can reduce the opportunity costs and the individuals can earn profits higher than the interest incomes from bank deposits. Although they will have to undertake certain risks, the opening of the property right market will undoubtedly enable the Chinese public, especially those "vanguards" in the commodity economy, to diversify the selection of their assets. This also provides a new road for them to make a fortune and get rich. Therefore, the property right market will become a huge "pool" that gathers the monetary assets of the residents. As a result, part of the consumption fund will certainly be turned into the production fund. This will mitigate the strong pressure over the commodity markets and will restrain the price rises. So this can play a role as a "flood-diversion channel" to cope with the rapidly swelling purchase power.

Second, to catch up with the development trend in the world economy, China urgently needs to join the international economic exchanges and competition. However, many state-owned industrial enterprises that shoulder export tasks are facing unfavorable conditions. Their equipment is outmoded, and their technology is ageing. They urgently need technological transformation. However, where can they get the funds for transformation? In fact, the state-owned economy itself can provide a huge amount of funds. They come from the property rights of the enterprises running in the red. According to statistics, in 1986, state-owned industrial enterprises incurred losses totaling 4.7 billion yuan, and all the enterprises incurring losses had to rely on state subsidies to exist. It is not good to provide endless financial subsidies. If the property rights of the enterprises that incurred losses are sold, the material assets of these enterprises can be turned into monetary assets, which can then be used for investment. Thus, the property right market can perform a "blood transfusion" function. It can gather funds and transfer the funds to the large and medium-sized enterprises which are badly in need of funds to promote their technological transformation and to increase their ability to open and widen overseas markets and to participate in international competition. This method can be described as "strengthening the essential part by getting rid of the nonessential part, and using the funds from the enterprises that incur losses to support the enterprises that make profits." At the same time, the property right

market will also play a "correcting" role. If the small enterprises are sold to individuals or nonstate-owned economic entities, the situation of the state being unable to properly manage these enterprises will be changed, and the vigor of these small enterprises can be restored. In short, this will help increase the economic strength of the enterprises of all sizes, and enable them to turn into an "outwardly oriented" economy.

Third, the structural contradictions in China's economy have lasted for a long time, a prominent one being the backwardness of tertiary industry. On the one hand, the state lacks financial resources to support the small state-owned commercial and service enterprises which are not properly managed and which gain little or no profit in business. On the other hand, the state still rigidly controls the property rights of these enterprises and thus shackles their hands and feet. Practice shows that the state ownership over these small enterprises is not in line with the objective requirements in the development of the productive forces, and is not in line with China's national conditions. It is a sensible measure to open the property right market. First, if the state gives up the property rights of these small enterprises, the state will not only gain a handsome income from selling the property rights, but will also be able to gain continuing taxes from these "nonstate-owned" enterprises. Thus, the state can both increase revenue and reduce expenditure. Second, with the property rights of these small enterprises being transferred to individuals or nonstate-owned economic entities for independent operation, they will be able to develop and expand themselves to fill the gap in the tertiary industry; at the same time, this also enables the state to reduce its financial appropriations to tertiary industry. This will help mitigate the strained financial condition of the state, and mitigate the contradiction between the demand and supply of construction funds. Third, if the small commercial and service enterprises are turned into "nonstate-owned" enterprises, this will certainly enhance the economic results of the entire tertiary industry, and push the national economy into a benign economic cycle.

In the course of opening the property right market, we should follow three major principles:

First, the value of state property must be maintained. The transfer of property rights does not mean that state property can be disintegrated or nibbled away; rather, it only leads to the change in the form of value of the state property. In the course of any transfer we must prevent the state interests from being harmed.

Second, the distribution of the income from selling the property rights between the central and local authorities should be 3:7 or 4:6. That is, about 30 to 40 percent of the income from selling the property rights should be turned over to the central finances, and about 60 to 70 percent of the income should be retained in the hands of

the local governments for local economic construction. The local authorities will also have to help the employees of the enterprises which have been sold to find other jobs or pay for their livelihood.

Third, the principle of management of the property right market. It is proposed that a commission for selling the property rights of small state-owned enterprises be set up under the state finance department. This organ should join the departments in charge, the industrial and commercial administration department, the banking department, the insurance companies, and the auditing department in assessing the assets of the enterprises so as to fix a reasonable base price for the property rights to be sold. The organ should also preside over the auction and act as the agent and arbitrator to guarantee the interests of both the buyer and the seller. At the same time, the state should formulate and promulgate "regulations on selling the property rights of small state-owned enterprises" and a "law on private enterprises" as soon as possible to give effective legal supervision and guarantee for the trade of property rights and for the private enterprises after the state-owned property is sold.

There should be no headlong rush into mass action in the opening of the property right market. The market should be properly organized by the government with some experiments being first carried out and the experience being gradually spread. For example, this can first be tried among the commercial and service enterprises, and then be extended to industrial enterprises; or be extended from enterprises that incur losses to enterprises that make profits; or be extended from coastal areas to interior areas. At the same time, the social treatment and position for the personnel who resign from their official jobs to operate private businesses should be guaranteed, and their reasonable interest demands should be satisfied.

Ministry Set To Solve Housing Problems
HK3006083088 Beijing CHINA DAILY in English
30 Jun 88 p 1

[By staff reporter Li Xing]

[Text] Alleviating China's tremendous problems in housing and urban development will be the priorities of the newly reorganized Ministry of Construction, which will be inaugurated tomorrow on the third World Day of Architecture.

Speaking at a press conference yesterday to celebrate Architecture Day, newly appointed Minister Lin Han-xiong said the ministry will promote housing reform and the commercialization of private buildings to help improve people's living quarters.

The ministry will encourage the development and efficient management of urban real estate businesses to provide funds for urban construction, he said.

Urban development will be another main focus, he said, pointing out that basic construction to improve the urban environment has not received due attention. As a result, social and economic development have been adversely affected by problems in transportation, communications, water and energy supply and garbage disposal in addition to the housing shortage, he said.

Lin also said the ministry will encourage various styles of architecture and the development of cities and towns with their own characteristics.

To achieve this goal, architects and urban planners will be given freer hands and better working conditions.

"Our guideline is to reduce administrative interference in the work of architects and urban planners to encourage them to use their own originality.

CHINA POPULATION NEWS Published 1 Jul
OW3006021288 Beijing XINHUA in English
1224 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)— "CHINA POPULATION NEWS", the only national newspaper specialized in the population question in the world— is scheduled to be published on July 1.

It is based on the "CHINA FAMILY PLANNING NEWS" which boasts a circulation of around 553,000 and it will cover the Chinese family planning policies, eugenics, and contraception methods.

The new paper, to be published twice a week, will also cover such subjects related with the question of population including health, environment, natural resources, education, and economy, and it will also be a place for the population theorists to make their suggestions.

The paper will have irregular English editions for overseas reader in addition to the regular Chinese edition.

CPPCC, State Officials on Publishing Problems
OW2906032688 Beijing XINHUA Domestic Service
in Chinese 0820 GMT 25 Jun 88
[By reporter Zheng Qingdong]

[Text] Beijing, 25 Jun (XINHUA) — The Motions Committee of the CPPCC National Committee this morning invited leaders of the State Publishing, Financial, and Taxation Departments; and CPPCC members to a forum on how to overcome difficulties in publishing scientific and technological books.

CPPCC members had put forward many proposals on the difficulties in publishing scientific and technological books during the First Session of the Seventh CPPCC National Committee. At the forum, they noted: In recent years profit-seeking has driven a number of publishing departments to vie with each other for publishing some

low-class and unhealthy books which endanger teenagers' mental and physical health. This has made the publication of some academic works of relatively good social benefit [she hui xiao yi 4357 2585 2400 4135] difficult. They held: Books are not only commodities but also spiritual products. We should not ignore their social benefit while paying attention to their economic results; otherwise our society will be inundated with vulgar publications, thus suffocating the publication of valuable scientific and technological books, and causing an adverse effect on China's economic construction and scientific and technological development. They called on relevant government departments to take effective measures to reverse the situation.

They proposed: In order to ensure the quick publication of scientific and technological books urgently needed by the state, we should establish several special publishing houses across the nation to publish scientific and technological books. The status of these special publishing houses will be the same as that of the institutions, and the state is to either subsidize their loss or to grant them a fixed amount of a publishing fund. In addition, we should deduct the tax imposed on academic works or exempt them from taxes.

Lu Yuyi, deputy director of the State Media and Publications Office; Liu Zhongli, vice minister of finance; Li Yonggui, deputy director of the General Taxation Bureau; and responsible persons of the State Administration of Commodity Prices and the Ministry in Charge of the State Science and Technology answered CPPCC members' questions and briefed them. They indicated that they would take action as soon as possible to work out effective measures based on CPPCC members' opinions to gradually overcome the present difficulties in publishing scientific and technological books.

Conference Discusses Higher Education Reform
OW2906194688 Beijing XINHUA in English
1118 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)— China's university presidents and education authorities stressed the urgency of higher education reform at an international conference that closed last week.

Statistics show that in the past nine years the total number of graduates turned out by schools of higher learning equalled the total number of university graduates turned out in the previous 30 years. But the current economic reform demands many more people with higher qualifications.

The traditional methods in universities and colleges, which stress theory at the expense of practice, are at odds with the real needs of society. Employers complain that university graduates lack the ability to handle practical work and call for more graduates in management, finance and law.

Hao Keming, a leading member of the State Education Commission, told the conference about China's plans for overcoming these deficiencies.

Universities and colleges will be given more authority to use financial, material and intellectual resources. In addition, a new higher education system that will combine teaching and research with practice will be adopted in an effort to keep up with the changing needs of society. The state will gradually withdraw from the responsibility of finding jobs for university graduates and give schools and students more leeway to find employment.

Take the supply and demand situation among medical workers for example. There are now only 0.7 doctors for every 1,000 people. This goes down as low as 0.32 per thousand in some rural areas. But by the end of this century, China's 131 universities and colleges of medical sciences will only be able to turn out 400,000 graduates a year, far below the target of one per thousand.

Wang Lei, official in charge of universities of medical sciences from the State Education Commission, suggested a two- or three-year specialized medical education to train more medical workers for rural areas.

The lack of a large number of qualified middle and primary school teachers is one of the key problems preventing the realization of the country's plan for

nine-year compulsory education in 12 years' time. During this period, China will have to train three million teachers and provide training for five million existing unqualified teachers, almost half of China's total number of teachers.

Gu Mingyuan, vice-president of Beijing Teachers College, suggested that the country's 265 such colleges be readjusted, expanded and improved, and all the schools of higher learning share the training of middle and primary school teachers.

RENMIN RIBAO To Publish Ship Arrivals
OW2906154888 Beijing XINHUA in English
0059 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)— Beginning tomorrow, the "PEOPLE'S DAILY" will publish weekly notices of the arrivals of all Chinese and foreign ocean-going ships calling at Dalian, Tianjin, Qingdao, Shanghai and Guangzhou ports.

Ships sailing to and from Hong Kong, Macao and Taiwan will also be included in the timetable, according to today's overseas edition of the "PEOPLE'S DAILY".

This will help promote China's export-oriented economy and foreign trade, and encourage better turnaround of cargo at the five ports, the English language newspaper said.

East Region

Anhui Province Uses Foreign Funds for Bridge *HK2906110988 Beijing CEI Database in English* 29 Jun 88

[Text] Hefei, (CEI)—China's Anhui Province will use foreign loans to build a highway bridge across the Yangtze River.

The bridge, linking Zongyang County in the north and Tongling City in the south, is 3,168 meters long, 20 meters wide and is planned to open to traffic in 1993. It will provide a short cut for tourists to go for sightseeing in the scenic Huangshan Mountain and Jiuhua Mountain which is known as holy land of Buddhism, through Hefei.

The total investment of the bridge is 240 million yuan including 50 million U.S. dollars of foreign loans.

Jiangsu People's Congress Meeting Ends *OW2906133388 Nanjing Jiangsu Provincial Service in Mandarin 2200 GMT 23 Jun 88*

[Excerpts] The 6-day Third Meeting of the Seventh Jiangsu Provincial People's Congress' Standing Committee concluded on 22 June. Li Zhizhong, vice chairman of the Standing Committee of the provincial People's Congress presided over yesterday's meeting and delivered a speech. Those attending the meeting approved the personnel appointments and dismissals recommended by the provincial people's government, the provincial Higher People's Court and the provincial People's Procuratorate by secret ballot. Later, Financial and Economic Affairs Committee Chairman Han Guilin; Educational, Scientific and Cultural Affairs Committee Wu Zhen; and Legal System Committee Chairman Li Bohan under the Standing Committee of the provincial People's Congress made explanations on the draft regulations for the protection of consumers' rights and interests in Jiangsu Province, the draft regulations on the publication of books and magazines and the marketing of audio tapes in Jiangsu Province and the draft regulations for the protection of legitimate rights and interests of old people in Jiangsu Province. The meeting adopted these three regulations. [passage omitted]

The meeting endorsed the report submitted by the delegation of the provincial people's congress Standing Committee on its visit to Australia's State of Victoria and agreed to further develop the friendly relations and strengthen ties between Jiangsu's People's Congress and the Parliament of the State of Victoria.

Attending the meeting were Chairman Han Peixin; Vice Chairmen Xingbai and Li Qingkui, and Secretary General Bai Yun of the Standing Committee of the provincial People's Congress. Also attending the meeting as

observers were Governor Gu Xiulian, President Li Peiyou of the provincial Higher People's Court and Chief Procurator Qin Jie of the provincial People's Procuratorate.

Jiangsu Governor at Meeting on Production Plan *OW2906062188 Nanjing Jiangsu Provincial Service in Mandarin 2200 GMT 22 Jun 88*

[From the "News and Provincial Press Review" program]

[Excerpts] At a meeting on 21 June for nine investigation groups giving reports to the Jiangsu provincial government, Governor Gu Xiulian stressed that meticulously pursuing the campaign to increase production and practice economy and to increase revenue and cut expenditure [the "double increase and double economy" campaign], and striving to improve economic results are a reliable way to solve the current price problems.

This year, all localities in the province launched the "double increase and double economy" campaign early, and have taken effective and concrete measures to carry it out. The total industrial output value of the province from January to May increased by 24.2 percent over the same period last year. Production of steel, pig iron, soda ash, energy, and other major raw materials, and light industrial products of various categories, as well as generation of electric power increased by a relatively wide margin. Production of chemical fertilizers, farm chemicals, and other products for agricultural use increased by over 30 percent. Fixed asset investment of government-owned enterprises has been controlled. From January to April, fixed asset investment of government-owned enterprises in the province increased by 19 percent, much lower than the 34.5 percent registered in the same period last year. [passage omitted]

Leaders hearing the reports included Governor Gu Xiulian, Vice Governor Wu Xijun, and responsible persons of departments concerned in the provincial government. After analyzing the current economic situation in Jiangsu Province at the end of the meeting, Gu Xiulian set out her opinions on future economic work.

Jiangsu Enterprise Develops Fiber Production *OW2906085188 Beijing XINHUA in English* 0740 GMT 29 Jun 88

[Text] Nanjing, June 29 (XINHUA)— The Yizheng Chemical Fibre Industrial Corporation, with the help of investment from both at home and abroad, has become China's largest chemical fibre production center.

The construction of large state-owned enterprises used to rely on investments allocated from the state and local governments. But the state granted only 300 million yuan in investment capital toward the construction of the Yizheng corporation.

In 1980, China imported advanced polyester fibre production equipment and technology from Federal Germany to outfit the corporation's plant located near the City of Nanjing.

However, construction had to be halted part way due to an investment shortage. In 1982, construction work was restarted with the help of 700 million yuan in funding from the ministry of textiles industry and the China International Trust and Investment Corporation.

As a result, the project was completed and put into production. It had since earned one billion yuan in profits, which accounts for the total investment amount.

Nanjing Fertilizer Production Increases
HK2906103888 Beijing RENMIN RIBAO
in Chinese 25 Jun 88 p 2

[Article by reporter Yuan Dingqian (5913 1353 0051): "Nanjing Chemical Industrial Company Increases Fertilizer Output To Meet Agricultural Production Demand"]

[Text] The Nanjing Chemical Industrial Company, one of China's major chemical fertilizer production bases, has made continuous efforts over the past few years to develop the production of chemical fertilizer in accordance with state planning and agricultural production demand. Taking the development of high-density phosphate fertilizer and compound fertilizer as its main target, the company has pushed the production of chemical fertilizer into a new stage. In 1987, the company produced 520,000 tons of ordinary calcium fertilizer, more than 170,000 tons of compound fertilizer, more than 100,000 tons of ammonium carbonate, 15,000 tons of ammonium phosphate, some 10,000 tons of urea, and 110,000 tons of ammonium nitrate. By the end of May this year the targets for ordinary calcium fertilizer, compound fertilizer, and ammonium carbonate production for the first half of the year had already been fulfilled ahead of schedule.

In China, an urgent problem in achieving chemical fertilizer production is the short supply of chemical fertilizer and the limited varieties and low density of chemical fertilizers. After making an extensive market investigation and in light of its superiority and favorable conditions in basic fertilizer, quality, personnel, technology, and equipment, the Nanjing Chemical Industrial Company set a new target for developing the production of chemical fertilizer. This target is: While increasing the output of chemical fertilizer to gradually change chemical fertilizer products from simple-substance fertilizers to compound fertilizers, from low- to medium- and high-density fertilizers, and from commonly used compound fertilizers to special-purpose and multipurpose compound fertilizers so that the production of compound fertilizer can be continuously expanded, and the development of special-purpose fertilizer can be greatly

accelerated. In 1986, the high- and medium-grade compound fertilizer output produced by the phosphate fertilizer factory under this company was 250 percent more than in 1985, and the 1987 output was 176 percent more than in 1986. At present there are 44 varieties of special-purpose compound fertilizer for 12 production groups namely rice, wheat, and cotton; rape; tobacco; vegetables; fruit; rubber; tea; asparagus; ramie; strawberry; tomato; and watermelon. Very good social benefits [she hui xiao yi 4357 2585 2400 4135] have been achieved. The mixed phosphate-ammonium-boron fertilizer, a new and highly efficacious compound fertilizer jointly developed by the Nanjing Chemical Industrial Company and the Soil and Fertilizer Institute of the Academy of Agricultural Sciences of Jiangsu Province, is a special fertilizer for rape, cotton, orange, beet, and beans. An experiment in Shangxing Township, Liyang County, shows that when 7.5 to 15 kg of this fertilizer is applied to each mu of rape, the output of rapeseed can reach 100 to 150 kg a mu. This is 25 to 50 kg more than other rape fields where other fertilizers are applied. With the cooperation of the Anhui branch of the China National Tobacco Corporation, the Nanjing Chemical Industrial Company has produced a special fertilizer for tobacco production. It has been proved through experiment that this fertilizer is even better than imported special fertilizers. It can increase the output and improve the quality of tobacco and greatly benefit the growers. Last year the company produced more than 12,000 tons of such fertilizer for the China National Tobacco Corporation, and more than 10 major tobacco production provinces and regions also began to use it.

Chemical fertilizer and complete sets of equipment for chemical fertilizer production are the Chemical Industrial Company's leading products. However, since the profits from chemical fertilizer are very small, and in addition since the prices of raw materials and energy are rising annually, the economic returns in chemical fertilizer production enterprises are generally very low and the workers have received very little material benefit. Despite all this, the Nanjing Chemical Industrial Company puts the interests of the state and social benefits in first place and always urges the workers to proceed from the overall interests, overcome the short-term point of view, and focus their production on the development of high-density, compound, and special-purpose fertilizers. Since the contracted management responsibility system was adopted in 1982 the company has been using large sums of money each year to carry out technological transformation in old factories and renew their equipment. As a result, both working and technological conditions have been improved, internal potential has been tapped, and superiority has been brought into full play.

Jiangxi's Mao Zhiyong Inspects Farms, Factories
OW2906122088 Nanchang JIANGXI RIBAO
in Chinese 16 Jun 88 p 1

[By reporters Feng Junting and Xiong Wenqing]

[Excerpts] On 12 June, Mao Zhiyong, secretary of the provincial CPC Committee, conducted investigation

and study at the Hongxing Reclamation Farm, visited three family-run cattle ranches, and inspected the chocolate and machinery factories run by the Hongxing Reclamation Farm. On the morning of 13 June, he also inspected the Fuzhou Cotton Textile Mill and the Fuqi Motor Vehicle Plant. After his inspection, Mao Zhiyong said: I am very pleased to see these places. I understand that there are indeed many good examples and experiences at the lower level. The leadership at all levels must pay attention to setting good examples and learn from the experiences in other localities while summing up their own. Only by so doing will it be possible for us to open up a path that suits our own conditions in strengthening reform and developing our economy. [passage omitted]

On the morning of 12 June, Mao Zhiyong heard a briefing by a responsible person of the Hongxing Reclamation Farm. Over the past several years, the farm has attached importance to agriculture, developed animal husbandry, and rejuvenated the foodstuffs industry. It has readjusted the setup of production, integrated agriculture with animal husbandry and food processing, and brought about self-sustained growth in the development of industry and agriculture. The total output value of industry and agriculture in the reclamation farm reached 47.708 million yuan, quadrupling the 1980 figure. The farm has also paid attention to developing the export-oriented economy. The chocolate factory, which was completed in less than 2 years had an output value of 18 million yuan in 1987 with a net profit of 1.8 million yuan. It sold 20 tons of chocolate to Hong Kong on an experimental basis, and found a good market. [passage omitted] Braving the rain, Mao Zhiyong visited three family-run cattle ranches on the afternoon of 12 June. At the cattle ranch run by worker Xiong Jinmei, there were 11 "Polish" bulls and cows in the 20 meter-long cattle pen. The cattle pen was very clean. Xiong said he and three other family members have run the ranch for a year and half and grown their own cattle feed. A total of seven calves were born in the past year. Mao Zhiyong cheerfully asked him about his income. Xiong replied with a smile: "Recently I sold three calves, and got 3,700 yuan for each." [passage omitted]

Mao Zhiyong inspected the Fuzhou Cotton Textile Mill and the Fuqi Motor Vehicle Plant on the morning of 13 June and heard reports made by the responsible persons of the mill and the plant on enterprise reform. In the course of carrying reform, the Fuzhou Cotton Textile Mill has helped its workers and staff members strengthen their ideological and political work and whip up their work enthusiasm. At the same time, it has paid attention to developing new products as well as export products, while greatly improving its economic results. Since the 3d Plenary Session of the 11th CPC Central Committee, the mill had delivered 240 million yuan of profits and taxes to the state treasury with an average of 16 million yuan of profits and taxes a year. [passage omitted]

At the Fuqi Motor Vehicle Plant, the plant director described how the plant linked the wage scale to the

economic results and helped workers and staff members raise their sense of responsibility as the masters of the plant. The average annual income for each worker was 1,560 yuan in 1987, he pointed out. Mao Zhiyong told him: "To invigorate an enterprise, it is essential to help workers whip up their work enthusiasm. Workers should earn more each year. In the meantime, we should care for their welfare so that they would love the plant as their own family. When you accomplish all this, your job as a plant director will be an easy one." When a responsible person of the local authorities pledged to create favorable conditions for the Fuqi plant to complete a 10,000-car assembly line, Mao Zhiyong said: "The city's economy will not develop if the enterprises in the city are not revitalized. The city should create favorable conditions and a fine environment to invigorate the enterprises."

Shanghai Mayor Attends Sino-U.S. Forum

OW2906122488 *Shanghai Voice of Pujiang*
in Mandarin to Taiwan 0900 GMT 24 Jun 88

[Text] The 4-day Sino-U.S. session on industry, trade, and economic development concluded in Beijing on 23 June. News media reports here hail the session as a great success. For the Shanghai delegation, it has been an especially worthwhile trip.

According to reports, a speech by Mr Zhu Rongji, mayor of Shanghai City, and the two dialogue sessions held by the Shanghai delegation have left lasting impressions on the American delegates.

During the 4-day session, American delegates indicated that they wanted to hold further negotiations with Shanghai on as many as 64 trade and economic cooperation projects involving textiles, light industry, pharmaceuticals, mechanical and electronic products, instruments and meters, and the metallurgical and nuclear power industries. Nearly 200 American delegates indicated that they would visit Shanghai after the session.

Zhejiang Expands Open Economic Zone Area

HK2906110188 *Beijing CEI Database in English*
29 Jun 88

[Text] Hangzhou (CEI)—With the opening of Hangzhou, Shaoxin, Zhoushan and 26 counties, open economic zone in Zhejiang Province has now expanded to seven cities and 30 counties.

The area has grown from 6,564 square meters to 44,700 square meters, representing 43.9 percent area of the province. The population in the open zone increased from 5.25 million to 25.95 million which represent 63 percent of the total of the province.

The zone enjoys the preferential treatment prevalent in the coastal open economic zone and welcomes investment from foreign businessmen.

Correction to Shanghai's Main Economic Statistics

The following correction pertains to the item headlined "Shanghai's Main Economic Statistics Noted," published in the 28 June China DAILY REPORT, East Region section, pages 43, 44:

In the table that appears at the bottom of page 43 and continues on page 44, the third column header should read, "1-5/1988," replacing "1-½8."

Central-South Region

Crime Reporting Centers Set Up in Guangdong HK2906143988 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 26, 27 Jun 88 pp 17-18

[Article by Lu Yizi (0712 3015 1311): "Centers for Reporting Cases of Corruption and Bribery Set Up in Shenzhen, Guangzhou, and Shantou"]

[Text] During a work inspection tour of Guangdong Province during the Spring Festival this year, Zhao Ziyang, general secretary of the CPC, repeatedly stressed: "We need economic prosperity and honesty in government." "Shenzhen needs to encourage honesty." Some people argue that like fish and bear's paws, we cannot have economic prosperity and honesty in government at the same time in the recent stage. However, by conducting experiments in setting up centers for reporting economic crimes, Guangdong Province has brought the role of legal supervision and supervision by the masses into full play, thus making new breakthroughs in this regard.

On 8 March, Qin Xingmin, deputy procurator-general of the Guangdong Provincial People's Procuratorate, and Zhang Huanxi, procurator general of the Shenzhen City People's Procuratorate, officiated at the unveiling ceremony for the official opening of a reporting center. Immediately following that, the center received the person who provided leads for the first case of corruption and bribery.

In the past 2 months or so since the reporting center was set up, remarkable successes have been achieved. According to statistics, from 8 March, when the center was opened officially, to 31 May, 413 cases of various types were reported to the center, with 566 people involved, of which 111 were cases of corruption and bribery, comprising 26.6 percent of the total reported cases, and 94 were cases involving economic crimes, such as embezzlement of public funds, illegal earnings, tax evasion and refusal, smuggling, cheating, and speculation and profiteering, accounting for 22.7 percent of the total reported cases. Up to 31 May, 37 people involved in 26 cases had been examined and handled. Of them, 7 people involved in 7 cases were not given convictions but economic sanctions, thus recovering 5,222,000 yuan in economic losses for the state and 7 color television sets and 7 video tape recorders. Twelve

corruption cases involving 19 people have been or are planned to be placed on file for investigation and prosecution, of which 7 involve a total of 522,000 yuan and 5 involve a total of 853,000 Hong Kong dollars.

Following Shenzhen City, Shantou and Guangzhou Cities set up reporting centers. The very day that the reporting center of the Guangzhou City Procuratorate started handling public business, it accepted 34 cases for prosecution, of which 9 were corruption and bribery. With 300,000 yuan in cash in his hands, a manager surrendered himself to the reporting center of the Dongshan District People's Procuratorate. According to his confession, taking advantage of his post as a manager, he evaded 100,000 yuan in taxes by manipulating the accounts and reporting less profits, and thus embezzled 30,000 yuan therefrom. According to an accusation submitted by a worker in Zhuhai District, at the time of defrayal of charges for the processing of supplied materials, the director of a clothing factory adopted the method of "having a dragon's head and a phoenix's tail." The director made out a 16,000-yuan bill as income, but on its counterfoil the figure was altered as some 600 yuan to be entered in the ledger. He thus embezzled 15,000 yuan and more therefrom. The worker who reported the case handed in the copy of the director's fraudulent bill as proof.

People have come in an endless stream to the reporting centers of various districts and county procuratorates in Guangzhou City, with some reporting over the telephone and others through letters. From 1 to 4 June, the reporting centers accepted 123 cases for prosecution, of which 16 were reported through telephone calls; 66 were reported face to face; and 41 in letters. Like in the cities, such as Shenzhen and Shantou, of these reported cases, most were economic crimes, such as corruption, bribe taking, embezzlement of public funds, and smuggling, comprising 58 percent of the total number of cases accepted for prosecution.

After a comprehensive analysis of the cases reported by the masses of people in Shenzhen, Shantou, and Guangzhou Cities, the cases can be seen to have the following characteristics: 1) economic crimes, such as corruption and bribe taking, are comparatively serious; 2) there are a large number of leading cadres who have violated the law and committed crimes; 3) the phenomena in which law enforcement personnel violate the law while maintaining it are noticeable; 4) dereliction of duty causes tremendous losses; and 5) foreign-related cases constitute a certain proportion. For example, Shantou City's corruption cases made up 57.6 percent of the total number of the economic criminal cases accepted for prosecution, and the party-member cadres accused of violating the law and committing crimes accounted for 78 percent of the total number of people reported for involvement of such irregularities. Cases of violating the law and committing crimes by managers, factory directors, and business personnel constituted 18 percent of

the total number of criminal suspects. Of these people, managers, deputy managers, and factory directors made up 12 percent.

This holds true for Shenzhen City. Of the total number of reported cases, 49.3 percent were economic criminal cases. The number of leading cadres who violated the law and committed crimes was 148, amounting to 26.1 percent of the 566 people accused of involvement in such irregularities. Of these, 105 were managers and deputy managers, comprising 70.9 percent of the number of the accused leading cadres. Twenty-two personnel from law enforcement organs, such as customs, industrial, commercial, tax, and public security institutions were suspected of being involved in crimes. Law enforcement personnel who were reported to have collaborated with criminals inside and outside of law enforcement organs, to have divulged secret information to criminals, and to have transferred or harbored illicit money and stolen goods were not rare. There were 26 cases of dereliction of duty, accounting for 6.2 percent of the total number of reported cases. Of the 204 economic criminal cases, 33 involved Hong Kong businessmen, constituting 16.2 percent. These cases brought far greater losses to the state than the cases of corruption and bribe taking. One Hong Kong businessman fraudulently got more than 7 million yuan on the mainland in one deal. The 26 cases of dereliction of duty cost the state more than 130 million yuan in losses of assets.

Liu Fuzhi, procurator general of the Supreme People's Procuratorate, said in Shenzhen last May: Shenzhen has set a good example in setting up centers for reporting economic crimes, thus performing a good deed. He maintained: The setting up of reporting centers is a concrete measure taken by procuratorial organs in line with the stipulations contained in the second clause of Article 27 of the Chinese Constitution as well as in Article 129 and in Article 59 of the Criminal Suit Law for exercising the authority of legal supervision. They also are a good form of combining legal supervision by specialized departments with supervision by the masses. Not only can it help procuratorial organs promptly discover economic crimes and punish economic criminals but it can also play a deterrent role and the role as a precaution against crimes. This work method can be gradually popularized in large and medium-sized cities all over the country and should be defined as a work system. The cadres and broad masses of people in Shenzhen and Guangdong have elatedly said: "Reporting centers are the 'unbeatable rival' of economic criminals and the net for corrupt officials."

Recently, Xiao Yang, procurator general of the Guangdong Provincial People's Procuratorate, told this reporter: "Our procuratorate has decided to hold a provincial meeting of procurators general in late June to make arrangements for universally popularizing the experiences of the three pilot cities, including Shenzhen, in setting up reporting centers in medium-sized cities where conditions are ripe in the second half of this year.

Reporting center directors will be asked to give news briefings on a regular basis, to make public what they have done since their founding, to conduct dialogues with people at all levels in the community, to maintain a publicity campaign through the media, and to do their best to make their work more clear. At the appointed time, some typical cases of economic crimes committed by government functionaries that have been examined and handled will be selected and published in the press.

Guangdong's Shantou Attracts Foreign Funds
HK2906110388 Beijing CEI Database in English
29 Jun 88

[Text] Guangzhou (CEI)—Shantou Economic Development Zone attracted 31.298 million U.S. dollars of foreign funds from January to April, an 800 percent increase over the same period last year.

Shantou made use of 51.38 million U.S. dollars of foreign funds from 1982 to 1987. It is expected that foreign capital coming in this year will be equal to the total of the foreign capital raised in the past six years.

Since January, contracts for more than 60 foreign-funded projects have been signed in Shantou. Business people from Japan, the United States, Pakistan and Britain have come to the area for negotiations on investment opportunities.

Foreign investment in agriculture increases visibly this year, which has made up one third of the total agricultural investment in Shantou. Projects in this category include food processing, shrimp and eel breeding and forage mill.

Guangdong Allows Processing by Foreign Firms
HK2906112188 Beijing CEI Database in English
29 Jun 88

[Text] [no place-name as received] (CEI)—South China's Guangdong Province has decided to allow private enterprises in the province to engage in processing and assembling for foreign customers.

This was announced by an official from the provincial administration of industry and commerce at a news briefing on June 26.

Special institutions in counties and towns have been designated to arrange talks between the private enterprises and foreign businessmen and to help specify each side's responsibilities and obligations through contracts.

Large private enterprises with the status of legal persons will be allowed to open joint ventures and contractual joint-venture enterprises with foreign businessmen, and import capital and technology.

Guangdong Birth Rate Continues To Decline
OW3006094288 Beijing XINHUA in English
0152 GMT 30 Jun 88

[Text] Guangzhou, June 30 (XINHUA)— Birth rate in Guangdong Province has been declining in recent years, family planning officials here have announced.

In 1987, Guangdong's birth rate and population growth rate stood at 22.12 and 16.42 per 1,000, respectively, both showing a decrease of 0.03 per 1,000 from 1986 figures.

An enhanced education campaign focusing on family planning has helped people to better understand the importance of population control, the officials said.

Surveys indicate that Guangzhou residents generally prefer late marriage, late child birth and the one-child policy.

Family planning is being practiced by the city's nearly half a million couples in child bearing years, the officials said.

In 1987, Guangzhou managed to keep its birth rate and natural population growth rate at 16.3 and 11.7 per 1,000, respectively, both below the provincial average.

Guangdong Province has been experiencing a baby boom since 1974 as elsewhere in China.

Nevertheless, the officials said, the local authorities have managed to see about 500,000 fewer births per year.

Guangxi Frontier Guards Help Battle Drought
HK3006003588 Nanning Guangxi Regional Service
in Mandarin 1030 GMT 28 Jun 88

[Excerpts] In the past few days frontier guards in Guangxi called out more than 10,000 officers and men and a number of vehicles to help the people in border areas fight drought and protect seedlings, and to supply them with drinking water.

Since May, for the first time in years, dozens of counties and cities in southern Guangxi have experienced drought. Rainfall dropped by more than 80 percent over the corresponding period of usual years. [passage omitted]

In the face of the severe drought, leading bodies at all levels of frontier guards in Guangxi ordered urgent mobilization, calling on officers and men to take immediate action to support local authorities in their drought-fighting struggles. In spite of the incredibly hot climate and scorching sun, from the first half of June officers and men of frontier guards fought bravely shoulder to shoulder with local people, digging wells and pumping water to fields. They even carried buckets of water on shoulder poles to villagers.

By the second half of June, there were more than 13,000 officers and men of the frontier guards who had taken part in the battle against drought, with the use of 450 vehicles and 1,450 pumps. Moreover, frontier guards also got their units and militiamen to launch over 560 small rockets for artificial rainfall and, with local people, irrigated over 300,000 mu of fields. [passage omitted]

Hainan Leaders Stress Fighting Corruption
HK2906132188 Haikou Hainan Provincial Service
in Mandarin 1000 GMT 28 Jun 88

[Excerpts] The Working Committee for the Establishment of Hainan Province held a meeting of party members from organs directly under the provincial authorities in its assembly hall yesterday morning. The committee called on party members of the whole province to set an example of being honest and upright in performing their official duties. The meeting was presided over by Liang Xiang, deputy secretary of the committee and principal person in charge of the provincial government.

After sizing up the excellent situation in our province, Comrade Xu Shijie pointed out in his speech: The problem of being honest in performing official duties should be sharply pointed out to leading organs and all party members and functionaries. We must pay ample attention to the problem and keep a cool head over it. Whether we can remain honest and upright in our official duties has a bearing on the will of the people and on the success or failure of reform. The reform and opening up policy have brought us an excellent situation marked by stability and unity and a flourishing economy. However, there are indeed a few government functionaries and party officials who manipulate power for personal ends, are corrupt and negligent about their duties, and accept bribes. Their behavior has directly harmed the interests of the state and the masses, stained the image of the party and the state, and discredited the reform. All these corrupt practices are not the result of the reform. On the contrary, the reform is the only way these corrupt practices involving a small number of people can be done away with.

Xu Shijie said: To be honest and upright in their official duties, cadres should have a correct understanding of their power and correctly handle the relationship between rights and duties. To keep clear of corruption, the functionaries of party and government organs should properly use the powers entrusted them by the people and work for the people. In addition, they should strictly observe laws and discipline and not pervert justice for a bribe; should decide cases according to the law and fulfill their tasks and not abuse power for personal gains; and should work hard under difficult conditions and not indulge themselves in extravagance and waste. [passage omitted]

In his speech, Comrade Liang Xiang addressed four points. First, to keep party and government organs free from corruption should be taken as an important task and to build a clean government should be regarded as a key target in the construction of the special economic zones. Second, it is necessary to build a clean government by letting reform play a dominant role in overall work and lose no time to promote the reform and opening up policy as well as economic development so as to step up the reform and opening up. Third, to solve the problem of keeping party and government organs free from corruption, it is necessary to establish and improve the laws and the relevant rules and regulations while intensifying political and ideological education so as to establish a new order of socialist commodity economy step by step. Fourth, it is necessary to encourage healthy trends and drive out unhealthy ones and to strengthen ideological education so as to help all party members and government cadres increase their resistance against and immunity from corruption.

More than 1,200 party members from organs directly under the provincial authorities were present at the meeting yesterday.

Rand Corp To Help Hainan Design Development Plan
HK2906062888 Beijing ZHONGGUO XINWEN
SHE in Chinese 1130 GMT 23 Jun 88

[Report: "U.S. Company Draws Up Strategic Development Plan for Hainan"]

[Text] Haikou, 23 Jun (ZHONGGUO XINWEN SHE)—The Rand Corporation [Lan De 5695 1795], a famous think tank from the United States, will help Hainan Province draw up its strategic plan for social and economic development. A four-member expert delegation from the company, headed by C. Walf, Director of the company's International Economic Research Institute and Postgraduate College, arrived in Haikou yesterday to start their first 8-day inspection.

This is the first time that the Rand Corporation has provided consulting services for China. The American company will cooperate with the Development Research Center of the State Science and Technology Commission and the Hainan Provincial Social and Economic Development Research Center in carrying out a series of special research projects and building of a development model on the basis of economic analysis. Part of the research results will be taken by the authorities as reference for their policy decisions, as the research will solve some difficult problems in Hainan's current development.

Principal leaders of the Hainan provincial government, Liang Xiang and Bao Keming, last evening briefed the experts on the current situation, future prospects, and policies in Hainan. Bao Keming also told ZHONGGUO

XINWEN SHE that the advice given by Rand Corporation will provide a scientific and international foundation for Hainan's development, because they will analyze the development of a special economic zone from the angle of the outside world. This will help us broaden our vision.

Southwest Region

Sichuan's Yang Rudai Urges Fighting Drought
HK2906010588 Chengdu Sichuan Provincial Service
in Mandarin 0000 GMT 29 Jun 88

[Text] Sichuan Provincial CPC Committee Secretary Yang Rudai repeatedly stressed when inspecting Kaijiang County on 26 June that the leading cadres at all levels must lead the masses to boost their confidence and brace their spirits and come up with various ways and means of overcoming the drought and reaping increased agricultural output and bumper harvest this year.

Discussing agricultural production, Comrade Rudai repeatedly told everyone that leading cadres must stand in the forefront of their masses and not lag behind them. Carrying out agricultural production is like fighting a battle, since various methods need to be prepared. If one method will not work, then try a second and third until final victory is won.

The drought is still rather serious in some places. The leaders at all levels must unify their thinking and carry out painstaking ideological work on the masses. It is necessary to institute contract responsibility systems for fighting drought and resolutely ensure that there is no wavering in the guiding idea of fighting natural disasters to reap a bumper harvest, in the plans for increasing grain output this year, and in the direction for the main attack, that of adopting a variety of effective measures to sow a full crop.

Due to serious drought, many places have not transplanted rice. In view of this, Comrade Rudai pointed out that except for certain fields where there is no way of growing other crops, it is essential to summon up resolve to sow dry crops and immediately switch to sowing potatoes, sweet potatoes, turnips, cabbage, and so on. Places where the conditions are right can grow regeneration rice [zai sheng dao].

He also called on the people in the drought areas to raise some more poultry and pigs, and to vigorously organize the export of labor services, in an effort to reduce the drought losses to the minimum.

More Drugs Crossing Yunnan's Border With Burma
HK2906063388 Hong Kong SOUTH CHINA
MORNING POST in English 29 Jun 88 p 10

[By Marlowe Hood, SOUTH CHINA MORNING POST correspondent in Beijing, reporting from Xiaguan, central Yunnan]

[Text] Even as officials in Beijing applaud the first International Day Against Drug Abuse and Illicit Trafficking, drug runners are carrying more and more opium

and heroin across the Burmese border and through the traditional marketing town of Xiaguan along the old Burma Road.

Chinese leaders are awakening to the fact the southern province of Yunnan has become a preferred shipment route of international drug syndicates moving opium and its derivatives from Southeast Asia to markets around the world. But China's much publicised efforts to halt drug smuggling have fallen short, according to local residents in the remote region dominated by non-Han Chinese ethnic minorities.

Especially disturbing to Government officials is the re-emergence of drug abuse among Chinese. China could, until recently, boast of being a virtually drug-free society, despite a pre-1949 population of opium addicts numbering in the millions.

"A few people in the southwest border areas have already started the habit of smoking opium," said Health Minister Chen Mingzhang at a meeting on Sunday to mark the anti-drug day. "Some international drug gangs have been attempting to smuggle narcotics via China to other countries," he said.

Many of these syndicates, it seems, have succeeded. Mr Chen revealed Chinese police have seized 233 kilograms of opium and 92 kilograms of heroin since 1981 and have arrested 102 traffickers, including 43 "foreigners". This is almost certainly only a small fraction of the drugs actually smuggled, according to Western narcotics agents and observers in China.

Mr Chen did not say how many of those arrested were Hong Kong residents, whom China does not normally refer to as foreigners. Two Hong Kong men were publicly executed in Yunnan last year after being convicted of smuggling 22 kilograms of high grade heroin into China.

Chinese officials used to deny that the problem existed, but now admit it is far from under control. "It is very hard to monitor the movements of ethnic minorities, who are allowed to cross the border freely to barter and trade," said Mr Lu Zhengling, a senior Yunnan Provincial Foreign Ministry official in charge of border affairs. "Drug trafficking has become a serious problem," he told the SOUTH CHINA MORNING POST last week.

Mr Lu also accused Vietnam of subsidising peasants and hill tribe people along the border to grow opium and smuggle it into China. "Vietnam promotes opium production under the double slogan, 'economically, opium will save our people from poverty; politically, one gram of opium equals a bullet and one kilogram equals a bomb'," he said.

A local resident described from personal experience how opium moves freely across the Vietnamese, Lao and Burmese borders, although he doubted the Vietnamese Government's involvement.

Smuggling, he confirmed, continues even along the heavily militarised Sino-Vietnamese border. "The drug runners just roll up their pants and run right through the mine-fields," he said.

As he spoke in a small road-side restaurant near Xiaguan, a middle-aged man walked up and spoke to him in a local dialect. After the man moved on, the resident said: "He spent seven years in prison for smuggling a basket full of opium through Ruili," a booming trade town near the Burmese border.

Chinese leaders describe the increase in illegal drug traffic as a side-effect of China's policy of "opening to the outside world".

"China will become more vulnerable to the international drug scourge," Mr Chen said.

But the problem was aggravated by China's "hands off" policy towards the movement of hill tribe people across the southern borders, according to a local resident. Police are reluctant to aggravate already strained relations with the non-Han ethnic minorities—who suffered enormously under the central Government's policies during the Cultural Revolution—by restricting their movement.

Drug experts also point out that Chinese customs and police officers, who lack drug detection experience because of China's long self-imposed isolation, are unfamiliar with the sophisticated techniques of professional smugglers.

Yunnan Official Charged With Corruption *HK2906020288 Beijing CHINA DAILY* *in English 29 Jun 88 p 3*

[Text] An official in Yunnan Sports Committee has been charged with taking bribes worth 90,600 yuan (about \$24,216), Ting Yunzhong, the chief procurator of Kunming Municipal Procuratorate, announced at a press conference.

Ting submitted a law suit on Sunday to the city's procuratorate, reported the CHINA YOUTH NEWS.

Yang Dexing, who was charged with corruption and bribery, had been elected the chief team director of the training office of the provincial Sports Committee in March 1986.

In the first three months of his office term, Yang took 600 yuan. Since then, Yang committed the crime 28 times, taking home for his own personal use five cameras, a monitor, three video recorders, two colour TV sets, four radios, and other high-quality luxuries, worth 59,886 yuan.

Yang seized every possible occasion to graft bonuses and subsidies from the sportsmen and coaches. Last January, Yang took 3,142 yuan by tearing open the sealed money wallets, embezzled 2,600 yuan from the sportsmen's nutrition subsidies, plus 1,300 yuan in bribes from his subordinates.

Ting said that Yang has discredited the party and the government. Yang was arrested in September, 1987.

Northeast Region

Heilongjiang Official Views USSR Border Trade
OW2906171788 Beijing in Russian to the USSR
1800 GMT 25 Jun 88

[Text] Our northeastern province of Heilongjiang, which borders the Soviet Union, has favorable conditions for developing border trade between the two countries. Chinese-Soviet border trade has a long tradition and is now intensifying.

Our correspondent Zhou Suchen recently met Du Xianzhong, Heilongjiang vice governor, who is in charge of this sphere. Comrade Du Xianzhong said:

[Du Xianzhong is heard briefly, speaking in Mandarin, quickly fading back to announcer speaking Russian] Border trade between Heilongjiang Province and the Soviet Union began in 1967. Amur Oblast, Khabarovsk Krai, and maritime regions of the Soviet Union are our main partners. This trade was interrupted in 1976, but resumed in April, 1982. During the last 6 years the volume of the border trade has increased every year. It reached 34,770,000 Swiss francs in 1987. The volume of Chinese-Soviet border trade peaked this year.

We mainly import rolled steel, lumber, cement, and other raw materials from the Soviet Union and export agricultural produce; trade goods from the light and textile industries; consumer goods; and foodstuffs, particularly soy beans, frozen meat, pork preserves, peanuts, and other grain and oil-producing crops. These represent more than 80 percent of our total exports. One can say without exaggeration that the two countries' exchange of export goods is mutually beneficial.

According to Vice Governor Du Xianzhong, the prospects for developing Chinese-Soviet border trade are good. Heilongjiang Province is separated from the Soviet Union by the Heilong River. The border river covers more than 3,000 kilometers along the northern limits of Heilongjiang Province. The river provides convenient means of water transportation. The province also has rail and highway systems available. The two countries' national export and import structures are complementary.

The far eastern regions of the Soviet Union now face long-term economic development programs. However, these programs are not always provided with sufficient

manpower and material and technical resources. Meanwhile, our country's policy of broadening foreign ties has promoted the development of the province's economy and established the conditions for development of the border trade with the Soviet Union and the export of services. However, trade relations between the two countries were resumed only recently, and the sides have not had time to get acquainted with the details of each other's internal markets. The existing border trade centers do not correspond with present demand. Therefore the large-scale development of border trade will take time.

Speaking about future plans for the development of Chinese-Soviet border trade, Comrade Du Xianzhong noted that Heilongjiang Province is aiming for a constant increase in local barter trade, in order to promote the technical and economic cooperation and systematically develop trade with the Soviet Union on the broadest bases. Du Xianzhong indicated that to achieve this goal Heilongjiang Province is prepared to establish bases and special enterprises to produce export goods and to perfect the system of producing export goods. The province is also striving to regulate and improve its export structure, establish long-term and stable trade relations with the Soviet Union, and conclude long-term contracts for the supply of goods needed by both sides.

Heilongjiang Province has good potential for processing numerous types of imported materials and intermediate products, manufacturing products to match specimens provided, and assembling parts supplied by customers. It is ready to broaden compensatory trade, as well as to conclude contracts on constructing installations, exporting services, and establishing joint-stock enterprises with the aim of gradually bringing trade and cooperation to a higher level in all spheres.

In conclusion, Comrade Du Xianzhong said that in order to satisfy the needs of the border trade, Heilongjiang Province should reorganize the management of Chinese-Soviet trade centers; accelerate construction of the trade infrastructure, including ports, moorings, railway stations, roads, stores, and [word indistinct] and inspection stations; provide [word indistinct] and educate professional personnel; and so forth.

Heilongjiang is actively developing border trade with the USSR. It has already established three trade centers and authorized 58 economic organizations to carry out border trade with the Soviet Union. During the last 6 years the volume of the border trade between the two countries has increased every year. According to preliminary calculations, this year's trade volume will be six times last year's.

This was reported by a Heilongjiang provincial government spokesman at a briefing on trade and economic information for this province on 24 June in Beijing. This official said that Heilongjiang has geographical benefits and a long tradition in the development of border trade

with the Soviet Union. He wished all regions of the country, especially the maritime ones, to make investments; establish enterprises for manufacturing export goods; and develop economic, technical, or other kinds of cooperation in Heilongjiang Province, with the aim of developing trade and economic relations with the Soviet Union.

Heilongjiang Governor on Sanjiang Development
OW2906102688 Beijing XINHUA Domestic Service
in Chinese 1115 GMT 23 Jun 88

[By reporters Tan Peiquan and Wang Laixi]

[Excerpts] Harbin, 23 Jun (XINHUA)—The Heilongjiang provincial government, upholding the principle of seeking truth from facts and heeding the opinions of experts and basic units, further defined the principles and specific policies for the development and construction in the Sanjiang Plain.

In April this year, Heilongjiang Province and the State Council signed an agreement on comprehensive agricultural development and construction in the Sanjiang Plain. [passage omitted]

In mid-June this year, Heilongjiang Province called a work forum to discuss new situations and problems in development and construction in the Sanjiang Plain. [passage omitted]

At the forum, Heilongjiang Governor Hou Jie said, while dealing with how to blaze new trails in development and construction in the plain: The area of the Sanjiang Plain is 109,000 square kilometers, about the size of Jiangsu Province. To develop it is a major project. The situation is complicated, and the task arduous. [passage omitted]

Many farms, cities, and counties believed that the investment was too little for the development of the plain, and they were unwilling to carry out the task of opening up wasteland. Hou Jie said: State investment in this regard is supportive in character, which is only a part, not the whole, of the development fund. We should emancipate our minds, broaden our horizon, and do our work vigorously. We should mobilize the cadres and masses to raise funds through various channels, at various levels, and in various ways—to raise funds by the state, local authorities, enterprises, and the masses at the same time. By so doing, we shall be able to solve the problem of insufficient funds. [passage omitted]

Heilongjiang Province exercised rigid control over the grain market in the past. Grain was not permitted to be shipped out of the province before fulfilling the orders for grain. As a result, some provinces and municipalities intended to invest in the development of the Sanjiang Plain, but did not care to do so. On this, Hou Jie unequivocally announced: Beginning today, restrictions on shipping grain out of the province are changed. Provinces, municipalities, and enterprises joining in the

development the Sanjiang Plain may be compensated with soybeans, as well as other farm and sideline products, according to relevant agreements. [passage omitted]

Heilongjiang To Cut Timber Production
HK2906111988 Beijing CEI Database in English
29 Jun 88

[Text] Harbin (CEI)—Timber production in China's northeastern Province of Heilongjiang will be reduced to 11.3 million cubic meters this year from 12.6 million cubic meters in 1987, according to the AGRICULTURE DAILY.

It will be further reduced to 9.9 million cubic meters in 1989 and stabilized at 8.4 million cubic meters in 1990 and afterwards.

Meanwhile, the output of saw timber in the province will be reduced to 1.8 million cubic meters in 1992 from 2.22 million cubic meters in 1987.

The reduction will boost the production of synthetic board to 569,000 cubic meters in 1992 from 180,000 cubic meters in 1987, an average increase rate of 25.9 percent a year.

The production of furniture will reach one million pieces in 1992, an annual average increase of 85.5 percent, while paper and paper board products will hit 65,000 tons in the same year, up 21 percent annually.

Liaoning's Quan Shuren at Meeting on Opening Up
SK2906141488 Shenyang LIAONING RIBAO
in Chinese 8 Jun 88 p 1

[Text] On 5 and 6 June the provincial party committee and the provincial government held an on-the-spot office meeting about Liaoyang City's work of opening to the outside world. The meeting gave the final say on the spot for solving some difficulties and problems which were hard for Liaoning City to solve by itself.

The on the spot office meeting decided: Liaoyang City may boldly utilize foreign capital to build the urban infrastructure and may assemble funds through the concerted efforts of the state, collectives, and individuals if a clear demarcation line is drawn between construction investment and unjustified financial levies. The provincial authorities agree to retain a portion of tax revenues and added charges paid by other places' enterprises stationed in Liaoyang and allocate this portion to Liaoyang City. In addition, to further gear the trend of constant development in exports and foreign trade, it is agreed that customhouses and commodity examination bureaus will be organized and established in Liaoyang City and other open cities of the province, and it is demanded that various pertinent cities will rapidly provide cadres for these customhouses and bureaus and rapidly establish component organs. The on-the-spot office meeting also demanded: Liaoyang City and the

Liaoyang Chemical Industrial Co. should positively consult with the relevant central departments to decontrol the prices of the company's above-quota chemical industrial products in order to retain the maximum amount of the company's products for the city and have them processed there. Meanwhile, the company is allowed to buy shares of local enterprises with its above-quota raw and semifinished products, which are urgently needed by local enterprises, in order to encourage coordination between large enterprises and the locality.

At the meeting, provincial leading comrades also offered opinions on ways to develop the export-oriented economy in Liaoyang City and the whole province. They said: In exploiting the advantages of large enterprises directly under the jurisdiction of the state, we should use economic means to solve economic problems, rather than depending on administrative means to "retain" profits. At the same time, we should depend on drawing up economic policies to "attract" these enterprises so that we can appropriately solve the "separated relations" between large enterprises and the locality. We should mobilize the forces of all the people to improve the investment environment. We should also accelerate the renovation of old enterprises by importing technologies, funds, and talents; by inviting bids from foreign countries; and by issuing shares to foreign countries.

Present at the meeting were leaders of the province and responsible comrades of provincial-level departments concerned, including Qian Shuren, Li Changchun, Wang Guangzhong, Cheng Jinxiang, Wen Shizhen, and Li Qisheng.

Northwest Region

Gansu Secretary Addresses Cadre Study Course
HK3006021788 Lanzhou Gansu Provincial Service
in Mandarin 2300 GMT 29 Jun 88

[Excerpts] A study course for principal leading cadres of prefectures and counties, sponsored by the provincial party committee, opened at the provincial party school on 29 June. [passage omitted]

Present at the opening ceremony were Li Ziqi, secretary of the provincial party committee; Jia Zhijie, governor and deputy secretary of the provincial party committee; Lu Kejian, deputy secretary of the provincial party committee; and Wang Jintang, (Han Zhengqing), and Liu Yuhan, members of the standing committee of the provincial party committee. [passage omitted]

Li Ziqi said in a speech: Whether or not the province's discussion on the productive forces criterion can be carried out in greater depth, and whether or not work in the various localities can record great development is to a large extent related to the degree of emancipation of the mind and the mental condition of the comrades

attending this course. He called on the participating comrades to engage in study and discussion in conjunction with the following eight issues:

1. How to apply the theory on the initial stage of socialism as the guide, to ensure that the province's production relations will better suit the level of its productive forces.
2. How to take advantage of the province's strong points in resources to speed up economic development.
3. How to raise capital through more channels for investment so as to boost the reserve strength for economic development.
4. How to apply the law of value to further invigorate the economy.
5. How to develop the economy with focal points [words indistinct] and extricate people from poverty by getting rich.
6. How to make bold use of talented people of all categories.
7. How to carry out supervision according to law and the constitution, so as to create an excellent social environment for reforms.
8. How to further boost confidence for invigorating Gansu.

Gansu Oil Refinery Welcomes Investment
HK3006080888 Beijing CHINA DAILY
(LANZHOU SUPPLEMENT) in English 30 Jun 88 p 1

[Text] The Lanzhou Oil Refinery, the first large oil refinery built by New China, is located in the western suburbs of the ancient city of Lanzhou on the upper reaches of the Yellow River.

The refinery construction started in 1956 and went into official operation in September 1958. With an area of 4,596 million square metres, the refinery has more than 13,000 employees. Eight percent of them are scientific and technical personnel.

In the past 30 years, the refinery has continuously made technical renovations and paid attention to technical progress. It has renewed more than 60 percent of its main oil-refining devices while designing and installing scores of new oil-refining and chemical devices.

It produces 295 petrochemical products with an annual crude oil processing capacity of 3 million tons.

The refinery has become a modernized and comprehensive enterprise with strong economic and technical force and advanced management.

It not only refines oil, but also produces catalysts, additives and chemicals.

It also can manufacture refinery machines, instruments and meters and engage in scientific research and design.

By applying computer technology to its control in production process, the refinery has improved its overall level in its technology and equipment. It has the biggest number of production devices ranking first in the same industry in China. It has a full range of processing means, the highest processing depth and a full range of oil products. Because of this, it has taken an important position in the oil industry.

Last year, the production value of the refinery reached 1.1 billion yuan, including more than 400 million yuan of tax and profits going to the State.

The refinery has always taken the improvement of its product quality as a key link. It has raised its grades and quality of products by developing new technologies and techniques. It also has pushed forward overall quality control to modernized management in all of its work. It has formed a comparatively advanced testing measures and reliable quality control system.

The refinery has continuously developed new products that have a ready market to make its products turn towards higher grade and finer quality.

By the end of 1987, of all petrochemical products produced by the refinery, 40 products won quality products from the State, the Ministry of Chemical Industry and Gansu Province. Three have won gold medals, nine silver medals, 21 the quality products awards of the Ministry of Chemical Industry and 40 the quality products awards of the province. Its prize-winning products make the enterprise rank the first in the industry.

Last year, more than 63 percent of the refinery's production value came from quality products. Of the 93 products produced by the refinery, 31 have been produced according to international standards. The qualification rate of its products has reached 100 percent for 10 years running.

The refinery won the State quality control prize in 1983 and was praised as one of excellent units in enterprise management in China last year.

At present, the refinery is implementing its five-year development plan. Under this, several key sets of oil-refining devices will be built and renovated in a bid to further raise the in-depth processing of crude oil and expand the capacity of comprehensive processing. The main products of fuel and lubricate oils will be of high-grade and fine quality.

Besides, the refinery will actively develop new catalysts and additives so as to create more favourable conditions for further development in the 1990s.

After the plan is put into practice, the Lanzhou Oil Refinery will become an important production base in China. This will be the production of high-quality and various kinds of fuel and lubricate oils, of oil additives and splitting catalysts, and of petrochemical machinery and automatic instruments and meters as well as a scientific development base for oil refining and computer application.

In the next five-year plan (1990-95), the refinery will develop fine chemicals based on oil refinery in a bid to raise its comprehensive economic results by a big margin.

For this purpose, the refinery will carry out various economic, scientific and technical co-operation and exchanges with foreign countries. It will welcome the investment of foreign firms in the refinery.

Failure of Qinghai Joint Venture Merits Attention

HK2906053688 Xining Qinghai Provincial Service
in Mandarin 1400 GMT 27 Jun 88

[Text] The Qinghai Xinhua Zipper Company Limited, the only Chinese-foreign industrial enterprise in our province, has lost 250,000 yuan this year and is on the verge of bankruptcy.

On 16 June when our correspondent paid a visit to the company, the leaders, dressed up in Western-style clothes, were knitting woolen stockings. General Manager Huang Fuhuo said in fun: We have no other way out. If we do not provide for and help ourselves by engaging in production of something else, we could not even pay the employees.

The Xinhua Zipper Company, Ltd., jointly run by the former Xining City Hardware Industrial Company and the Hong Kong Gaofeng Company, mainly produces nylon zippers. The industrial joint venture was put into production in July 1986, with a designed production capacity of more than 3.6 million meters of nylon zippers a year. However, due to a blind feasibility study at that time, the joint venture, which represents a huge investment of several million yuan, was impeded when it started to go into operation.

General Manager Huang pointed out: When the enterprise went into operation, the zipper markets at home were almost saturated, the price of zippers was falling but the price of raw materials was rising. The enterprise had to import raw materials from abroad and sell its products on the international market. Home market fluctuations had a direct influence on the production of our enterprise. Since the enterprise was put into operation, capacity utilization stood at only 10 percent and the expected economic results were not realized. Due to the serious problem of low capacity utilization, almost half

the skilled workers could only be paid 20-odd yuan as living expenses while idling about at home. General Manager Huang continued: The shortsightedness in establishing the company is also reflected in its investment. So far both parties have made only half the estimated investment. As a result, the joint venture was in financial difficulty and turnover rate was very low; its reputation withered. Loans borrowed by the Xinhua Zipper Company Ltd. reached 1.35 million yuan; interest charged, updated on 20 June amounts to 90,000 yuan. The Xining City Hardware Industrial Company, a partner in the joint venture, has been disbanded and the burden of paying debts entirely imposed on the Xinhua Zipper Company Ltd.

Dear listeners, the report that the Xinhua Zipper Company, Ltd. in Qinghai is on the verge of bankruptcy has once again reminded us that to run an undertaking, we must take the actual conditions of our country and province into careful consideration and should in no way get involved unthinkingly. Reviewing economic construction in Qinghai over the past few years, its main trend was quite good. However, there were also cases of rashly launching new projects, with the result that some enterprises were heavily in debt and caught in a dilemma. Should not the relevant policymakers think deeply about this question? We suggest that without prefeasibility studies and careful consideration, that such work not start so as to avoid that one false step which leads to endless lamentations.

Shaanxi Taxi Drivers Protest Discrimination
HK2906151488 Beijing ZHONGGUO XINWEN SHE in Chinese 1310 GMT 29 Jun 88

[Text] Xian, 29 Jun (ZHONGGUO XINWEN SHE)—A queue of taxicabs paraded in downtown streets of Xian yesterday afternoon, attracting many spectators including passersby and foreign tourists.

More than 20 taxicabs joined the parade which was obviously a well planned and organized operation. Slogans reading "Reasonable Parking Rules," "Safeguard Individual Taxi Drivers' Legitimate Rights," and so on, were displayed on the parading taxis which bore the big label of "Taxicabs Petition." It is reported that these taxicabs, owned by individuals or collectively run companies, used to park at Xian Railway Station to look for customers. The taxi parade proceeded from Dachashi and East Main Street, passed by the Bell Tower, went through North Main Street and the Xihua Gate, and finally gathered in front of the city government building.

A taxi driver in the procession pointed out: Due to traffic congestion around the railway station, where a underground shopping arcade and a parking ground are under construction, the city government issued a notice a week ago asking taxi drivers not to park their cars near the railway station but to park around the city sports ground, where visitors are scarce. However, the rule was not applied without discrimination. The taxi drivers from

some state-run companies, and self-employed taxi drivers on good terms with officials in charge of keeping the city clean and tidy and traffic officials, were allowed to pick up passengers around the railway station where there are many visitors. Another taxi driver said: Officials in charge of keeping the city clean and tidy and traffic officials around the railway station often wantonly impose a fine or a double fine on taxi drivers.

Some spectators noted that taxi services should be consolidated as some taxi drivers refuse to use the fare meter, or simply had not installed one, and just charged their customers arbitrarily.

No clashes were witnessed between the parading taxicabs and the police during the parade. An official of the Xian Urban Facility Administration said the city government is going to announce a preliminary measure to solve the taxicab parking problem very soon.

Shaanxi Radio Urges Reforming 'Two-Track' Prices
HK3006052388 Xian Shaanxi Provincial Service in Mandarin 0400 GMT 30 Jun 88

[Commentary by Station Reporter (Qiang Yi): "It Is Imperative To Reform the Two-Track Price System"]

[Excerpts] This reporter recently conducted interviews in the markets and some enterprises in Xian. People have very strong views on the current two-track price system, that is, prices set by the plan and prices not set by the plan. A number of enterprise managers and directors held that this system causes difficulties for enterprise operations and hampers the deepening of reforms there. Some people said that this system has caused confusion in market order and generated unhealthy trends and even corruption and rottenness. [passage omitted]

After China's reforms started, the state applied a two-track price system for materials in short supply. This played a positive role in invigorating the economy. However, in the wake of socioeconomic development, the defects of this system have gradually become apparent. The Shaanxi plywood plant, the largest such plant in the northwest, is strong in science and technology and has relatively good production capacity. Its fixed assets exceed 10 million yuan. Its products are in strong demand in the markets. However, this plant is now running at a loss. Why? The plant needs as much as 10,000 cubic meters of high-quality timber and nearly 1,000 tons of formaldehyde a year. Only 65 percent of the timber and 20 percent of the formaldehyde are supplied at prices set by the plan; the rest is supplied at negotiated prices. And about 35 percent of the timber supplied at prices set by the plan is of poor quality and unuseable. This invisibly increases production costs and constrains the development of production.

Again, due to the continual price increases of materials supplied at prices not set by the plan, it is impossible to organize large shipments of products in and out. Certain

enterprises in Xian City have still not implemented the economic contract responsibility system because the base figure for the contracts can hardly be firmed up. This has affected the reforms and lowered economic returns.

The two-track price system in the supply of materials in short supply has made it easy for some people to abuse their powers and indulge in irregular practices and provided opportunities for speculators to reap huge profits. Do you want materials at prices set by the plan? Well, you will have to do some favor for me. Certain speculators make their living in this fashion, buying up materials at low prices and reselling them at high prices.

The result of the two-track price system is that the state does not increase revenue, the enterprises cannot retain more, the workers cannot increase wages, and the consumers do not save anything. Instead money is forever flowing into the pockets of certain small groups and speculators. [passage omitted]

We hope that the departments concerned will end the two-track price system as soon as possible.

Shaanxi Meeting Urges Fighting Serious Drought
HK3006012588 Xian Shaanxi Provincial Service
in Mandarin 2330 GMT 29 Jun 88

[Excerpts] The provincial government held an urgent telephone conference on the evening of 29 June to mobilize the cadres and masses throughout the province

to rapidly plunge into the drive to fight drought and protect the autumn crops and do everything possible to reap a bumper autumn harvest.

Vice Governor Xu Shanlin pointed out at the meeting that the current drought in Shaanxi is extremely serious. Precipitation in over 50 counties and cities in Guanzhong and southern Shaanxi has been 50 percent to 70 percent below normal. Rivers and reservoirs have dried up in many places. Over 20 million mu of autumn crops have been hit by drought. The drought and high temperatures are seriously threatening the autumn crops, and the situation is extremely rigorous.

In the face of the severe drought, all localities must operate all available water conservancy facilities, get a good grasp of irrigation, and do everything possible to ensure the fulfillment and overfulfillment of the plan for summer irrigation of 12.5 million mu of crops. [passage omitted]

The provincial government has decided to cut electric power for industry in the next 10 days to enable maximum use of the rural power grid and ensure power supplies for irrigation. The provincial authorities will allocate 4,000 tons of diesel fuel to ensure the requirements of diesel pumping stations. The authorities will also allocate 2 million yuan in funds for urgent needs in fighting drought. [passage omitted]

Government Waiting for Mainland Policy Response
HK2906145288 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 1150 GMT 29 Jun 88

[Report by He Shan (4421 1472): "Taipei Is Waiting for Beijing To Respond to Its Policy"]

[Text] Hong Kong, 29 Jun (ZHONGGUO TONGXUN SHE)—During his recent visit to seven large cities in the United States, Taiwan Information Bureau Director Shao Yu-ming declared on many occasions that Taiwan's policy toward mainland China is "friendly, peaceful, and highly constructive." But he noted that Taiwan's efforts have not yet evoked any "response" from the CPC.

In making these remarks, Shao Yu-ming probably intended to suggest that the forthcoming 13th KMT National Congress would not bring about any dramatic relaxation of its mainland policy. Viewed from another angle, Shao's remarks also seemed to hint that Taiwan is waiting for some kind of policy response from Beijing.

During his 2-week tour of the United States, Shao Yu-ming attended 15 colloquia or forums. When elaborating on Taiwan's mainland policy on a number of occasions he repeatedly emphasized a series of reformatory measures Taiwan has taken in the political and economic fields since last July such as the lifting of martial law, the lifting of restrictions on the press, and the policy to allow Taiwan people to visit their relatives on the mainland, which have served as a "friendly and peaceful gesture" to the mainland and are favorable to improving relations between the two sides of the Taiwan Strait.

As far as the policy of allowing Taiwan people to visit relatives on the mainland is concerned, the Taiwan authorities always emphasized in the past that it was purely based on humanitarian considerations and had no other significance. Now that Shao Yu-ming has pointed out the real intention of the policy by giving a political interpretation, this implies that all the above-mentioned policies that the Taiwan policy-making stratum has adopted since last year actually carry more positive significance.

Shao Yu-ming frankly declared in his speeches that Taiwan hopes to mitigate hostility between the two sides by adopting relaxation measures, but he said the CPC on its part should make an appropriate response. He pointed out: The policy of allowing Taiwan people to visit relatives on the mainland is an exercise in seeking "peaceful and constructive relations" with the mainland, and "the ball has now been passed to their side."

Now let us look at the mainland. Since last year CPC leaders have repeatedly declared that they appreciate the policy of limited relaxation adopted by the Taiwan authorities in allowing Taiwan people to visit relatives on the mainland. Meanwhile, Zhao Ziyang and Yang

Shangkun have openly and repeatedly reiterated that the mainland's principle and policy for peaceful reunification of China "will not be changed."

It appears that both the KMT and the CPC are inclined to cease hostilities but it seems that they have not managed to tune their voices to the same frequency. Therefore the two sides still lack intercommunication.

Taiwan's notable politician Tao Pai-chuan recently published an article describing the latest development in the relations between Taiwan and the mainland as "meeting without contact, talks without negotiations, relaxation without compromise, and gradual approaching without unification." He has endorsed a principle put forward by the CPC recently: "Seeking common ground, ceasing hostility, advancing step by step, and striving for reunification." And he has urged the two sides to seek common ground through "talks."

If China's reunification is to be achieved in a peaceful manner, then dialogue between the KMT and the CPC will be the first essential step. A substantial breakthrough in the development of relations between Taiwan and the mainland will be possible if the two sides have a truly sincere desire to start contacts and dialogue through various channels and by various means and to enhance mutual understanding step by step.

Separating Government, Nongovernment Contacts
HK2906015188 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 24, 13 Jun 88

[Article by Tang Yi (0781 1837): "Discussing the Principle of 'Separation of Governmental and Nongovernmental Contacts' With Mr Li Ching-hua"]

[Text] Amidst the recent discussions within and without the Taiwan Government on the policy toward the mainland, Li Ching-hua, secretary general of the "China Olympic Committee," published an article entitled "Several Suggestions on the Policy Toward the Mainland at the Present Stage" in CHUNG KUO SHIH PAO on 9 May. The article has drawn much attention.

The author of that article held that "the mainland policy that the government has pursued in the past (the Three No's policy) can hardly keep up with the new situation any more and therefore needs revision." He suggested: "The principle of 'separation of politics and economy,' 'separation of politics and academic exchange,' 'separation of politics and cultural activities,' and 'separation of politics and physical culture' should be adopted in formulating the mainland policy for the present stage. In brief, the principle of 'separation of governmental and nongovernmental contacts' should be adopted, so that political contacts will be distinguished from academic, cultural, and physical cultural exchanges." The article also suggested that the Taiwan authorities set up a

"special organization in charge of mainland affairs" and "take measures to expand nongovernmental organizations' capacity to handle mainland affairs."

Li's article cannot be counted as a surprise whether in terms of its content or the timing of its publication. But the author is a son of Li Huan, the present secretary general of the KMT [Kuomintang] Central Committee; and, what is more, the Hong Kong newspaper HONG KONG TIMES, which is financed by the Taiwan Government, reprinted the article in full with a big headline on 11 May after its first publication in CHUNG KUO SHIH PAO. Thus it can be seen that the article represents the basic ideas of some people in the Taiwan KMT top leadership on the relations between the two sides of the Taiwan Strait in the days to come, and it also gives a clue to the principle guiding the Taiwan authorities in the readjustment of its mainland policy.

Since mid-August last year, the Taiwan authorities' mainland policy has become more and more open and active. After assuming the presidency, Li Teng-hui declared that he would set to "studying" the possibility of expanding the scope of home-visit and sightseeing tours as well as cultural and academic exchanges. The new Taiwan authorities have already taken or are taking further measures to open nongovernmental exchanges between the two sides of the Taiwan Strait, for example, the expansion of the scope of home visit and indirect trade, the decision to allow Taiwan import-export companies to contact their mainland counterparts, the admission of more raw materials from the mainland, the decision to set up an office in Hong Kong to handle mail between Taiwan and the mainland, and the plan to allow the Taiwan public to make sight-seeing visits in the mainland and to tolerate cultural, academic, and physical cultural exchanges between the two sides. All these developments have created a new situation in the relations between the two sides of the Taiwan Straits that has been unprecedented in the past 40 years. All Chinese, at home or abroad, are gratified with this. So they have urged the Taiwan authorities again to completely forsake their "ostrich mentality" and adopt a more courageous and open mainland policy to keep in line with the new dynamic relations between the two sides of the straits.

Believing that "the formulation of an appropriate mainland policy for the present stage is a common task for all Chinese at home and abroad," I have "conscientiously pondered on this serious question" from the standpoint of an intellectual living in Mainland China. I quite agree with Mr Li's view that "the mainland policy that the government has pursued in the past (the Three No's policy) can hardly keep up with the new situation any more," but I disagree with his principle of "separation of governmental and nongovernmental contacts." In suggesting this principle, Mr Li seems to have set some technical restrictions on the contacts between the two sides of the Taiwan Strait, thus distinguishing contacts to be made at the governmental level from those to be made

at the nongovernmental level, and conceptually "isolating" some specific issues, in other words, "separating political contacts from academic, cultural, and physical cultural exchanges." So his proposal implies that the Taiwan authorities had better adopt a mainland policy characterized by nonpolitical and nongovernmental exchanges.

I think Mr Li's proposal is also deficient in several other aspects. First of all, it is difficult to distinguish "governmental" contacts from "nongovernmental" ones and to draw a clear demarcation line between "political," "academic," and "cultural" exchanges. For example, with regard to the "expansion of the operation to authorize nongovernmental organizations to handle mainland affairs," it is suggested that "mainland student studying abroad or personages of the academic circles be invited to visit Taiwan." According to Mr Li's view presented in his article, this kind of contacts should probably be classified "cultural" exchange. But, as a matter of fact, all the government-run newspapers in Taiwan have seen this measure as a very useful tool for "political counter-offensive" and a "political investment which, though paying off late, offers a high payoff rate." For another example, during the "20th annual meeting of the Asian Development Bank" which closed not long ago, the Taiwan delegation violated the meeting's rule by changing its title without approval, thus stirring up political trouble. In fact, all contacts between the two sides of the Taiwan Strait, not matter they are of economic, cultural, or physical cultural nature, are comprehensive intercourse which involve all circles on both sides and, logically speaking, cannot be isolated. Artificial "separating" these contacts from each other will not possibly ensure a natural development of relations, but will impose many "barriers" to the improvement of the overall relations between the two sides and will be disadvantageous to the development of national affinity and unity.

In the next place, such a "separation" cannot be counted as "a creation with great foresight which best conforms to the interests of the whole people." But, in my opinion, this "proposal" still has made a substantial breakthrough as compared with the "Three No's policy" that the Taiwan authorities have always upheld. However, the peaceful reunification of the motherland, as a political problem and a "family affair" of the Chinese nation, has to be solved through the common efforts by all members of the Chinese nation, including those in power and all political parties and factions. For the moment the most pressing task is to "fix a starting point for the reunification of China." To fix this starting point, we must shake off old political conventions and put the interests of the nation and the reinvigoration of the country in the first place. As far as practice is concerned, it is necessary to actively promote extensive intercourse between Taiwan and the mainland, and develop channels of dialogue and exchange not only in the cultural, academic, physical cultural, economic and trade fields but also in the political field. Both those in power or other individuals

can play a role in promoting such dialogue. Differences of opinion can only be eliminated through sustained dialogue and exchanges, and a common understanding on the peaceful reunification of the motherland can only be reached on the basis of a policy which "best conforms to the interests of the whole people."

Not long ago, Hou Chia-chu, a professor of Tungwu University of Taiwan, published in LIEN HO PAO an article entitled "Opening Up a Peace Era for Coming Generations—My Opinions on Breakthrough in Predicament and on Reunification of China." He pointed out: the fundamental cause of the political, economic, and social predicaments facing the Taiwan authorities lies in the "lack of a clearly defined mainland policy." Here I would like to present my own opinions to the Taiwan authorities, out of the hope that the motherland will be reunited very soon. Nowadays, the overwhelming majority of the Chinese people and organizations on the both sides of the Taiwan Straits and abroad wish to see the success of modernization and democratization in China and the reinvigoration of the Chinese nation. The realization of this goal depends on the termination of the protracted separation between the mainland and Taiwan. Now that a gratifying situation in the relations between the two sides has emerged due to the expansion of the scope of home visit, economic contact, and cultural exchange, people hope that the new rulers of Taiwan will seize this opportune time to open up channels for dialogue and communication between Taiwan and the mainland and promote extensive contacts, exchange, and cooperation between the two sides. If they just confine themselves to the rule of "separation of governmental and nongovernmental contacts," insist on the principle of "distinguishing political contact from academic and cultural exchanges," or play the trick of "dual recognition," the substantial improvement of relations and the ultimate solution to the peaceful reunification of the two parts of China will be impossible. And this would only give an opportunity to those who conspire to separate Taiwan from the mainland forever. On the other hand, at present, the main obstacle to the improvement of the relations between the two sides lies in the "political disputes." And it is in this respect that some top leaders of the Taiwan authorities have always stuck to their "hidebound standpoint." In my opinion, one can bring about an era of all-around improvement of relations between the two sides only if one can cast off all political disputes and assume a forward-looking attitude in the interests of the future development of the nation. Only when such an era comes will real and natural development of economic, academic, cultural, and physical cultural exchanges be possible. It was by relinquishing political prejudices that young students from the mainland and Taiwan managed to enhance mutual understanding during the "Asian Intercollegiate Debate Contest" held in Singapore last April. Is this not a successful example? Who among Chinese, at home and abroad, including Mr Li Ching-hua, who are really

longing for the reunification of the motherland, do not hope to see an early realization of their beautiful dream of a glorious and happy Chinese nation and a prosperous China?

Upcoming Kuomintang Party Congress Previewed
HK2906134588 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 26, 27 Jun 88 p 21

[Article by Chen Bing (7115 0393): "The 13th KMT Congress and the Political Situation in Taiwan"]

[Text] On 7 July, the KMT [Kuomintang] will hold its 13th congress. This will be the first party congress in history not controlled by a political strongman. It will also be the first party congress not dominated by the Chiang family since the KMT moved to Taiwan. This party congress will determine the structure of the party's power center as well as decide the party's future policy orientation. It will have a direct and major bearing on the political situation in Taiwan and on the changes in relations between the two sides of the Strait. Therefore, people inside and outside Taiwan are all paying close attention to the party congress.

Through changes over the past 40 years, the society of Taiwan is now facing a crucial juncture in its economic and political restructuring. Its economic restructuring is encountering difficulties in industrial upgrading and in the people's demand for fair distribution of social wealth. Therefore, the Taiwan authorities will have to "liberalize" and "internationalize" the economy and will have to cope with various demands and protests of workers, peasants, small entrepreneurs, and intellectuals. In the field of political restructuring, Taiwan is also facing difficulties in the redistribution of power. There is also a "constitutional" crisis, competition caused by the opposition parties, and challenges posed by political plurality. The authorities have tried to solve these problems through "political reforms," "democratization," and "localization." When Chiang Ching-kuo was alive, he tried to advance the "political reforms" through the 13th party congress, and also lay down some standards on the handling of relations with the mainland so as to shake off the passive position. Now, although Chiang is dead, his plan for the 13th party congress basically remains unchanged. Of course, there were important changes in the objective situation around the time of Chiang's death. As a result of the situation that has developed, the results of the 13th KMT Congress may go beyond the framework laid down by Chiang before he died.

Some people expect that the coming KMT congress will be a major trial of political strength inside the party to determine the introduction of young blood in the power center. At present, most of the 150 members of the party Central Committee are too old. Only four members are below 50. Out of the 31 members of the Central Standing Committee, 18 are over 70, and 7 are over 80. An urgent task for the party congress is to rejuvenate the party's

leading body. Only thus can the party cope with the pressure of competition from inside and outside the party and meet the challenges. So it is expected that more than half of the current members of the Central Committee and the Central Standing Committee will be shaken out and be replaced by a number of outstanding party members between the ages of 30 and 50. The new Central Committee will also increase in size to 180 members, and will include more representatives of various trades and social strata. The so-called party elite will be composed mainly with the second or third generations of the KMT from the mainland or some powerful Taiwan natives, and many of them are children of KMT veterans. These people are characterized by their good educational background and good personal image among the people. Many of them have received Western-style education. They do not bear historical burdens on the issue of relations between the two sides of the strait. In general, they are not as die-hard in fighting against the communists, and even identify with the mainland. With these people entering the leading body of the KMT, they will produce a major influence on the style and values of the party in the future.

The fact that Li Teng-hui holds the position of "president" and party chairman is favorable to the advances of the principle of localization laid down by Chiang Ching-kuo before he died. The coming party congress will allow more native Taiwanese to enter the central committee and the central standing committee. Native Taiwanese will account for 50 percent or more of the members of the new central standing committee. The proportion of native Taiwanese among the officials in charge of the various party functional departments will also obviously increase. The KMT will more heavily bear the "Taiwanese color." In the future, if the KMT is successfully rejuvenated and "localized," the opposition parties will gradually lose their advantages in this regard. In addition, the localization of the KMT and the political power in Taiwan will produce a major influence on the island's political situation as well as relations between the two sides of the strait. This influence has its positive as well as negative aspects. However, the question of whether the positive or negative aspects will predominate depend on future developments in various areas. Another characteristic of the coming KMT congress will be the more intense struggle between the "reformist" and conservative factions inside the party. The "reformist" faction will enjoy the advantages in rejuvenation and localization, and is holding a favorable and dominating position in the congress preparatory work. With Li Teng-hui being elected party chairman and with a large number of younger and more energetic people entering the party's leading body, the congress will result in further strengthening the dominating position of the "reformist" faction in the party. The power structure of two "Lis" (Li Teng-hui and Li Huan) will be basically consolidated. However, the conservative force remains rather strong. The incident on 20 May and various incidents of striving for self-relief [zi li jiu ji 5261 0500 2405 3444], and in particular, the upsurge of some

people's words and acts for independence, gave more excuses for the conservatives to exert pressure on their rivals. They will continue to try to maintain their position and vested interests. Therefore, during and after the 13th KMT Congress, the two factions will continually and intensely wrestle with each other over the personnel changes in the party, government, Army, police, and intelligence department as well as over the adjustment of domestic and foreign policies. While holding the superiority over their rivals, the "reformists" may make certain compromises and concessions in order to stabilize the situation and to advance the "reforms."

Another noticeable subject that the 13th KMT Congress will deal with is the determination of the party's "new mainland policy." According to recent reports in Taiwan newspapers, the KMT's "new mainland policy" will include the following points: First, under the premise of the official side maintaining the "three no's" policy and the "hostile" relations between the two sides of the strait, and under the premise of "guaranteeing Taiwan's security," Taiwan will reduce the restraints on unofficial contacts between the two sides as well as expand nonpolitical exchanges between the people on the two sides. Second, the new policy will include all-sided and across-the-board considerations. Apart from the issue of allowing people to visit their relatives on the mainland, the new policy will also give consideration to the issues of laws; trade; economic relations; investment; scientific, cultural, education, and sports exchanges; and transportation between the two sides. These issues will be linked with Taiwan's general domestic administration plan and overall foreign relations. Third, unofficial contacts and exchanges between the two sides will be advanced "gradually" along a "one-way road" as the contacts and exchanges become more open. The exchanges should be conducted in a selected way and under control. Fourth, the new policy will stress that close attention should be paid to relations between the two sides while every new step is taken. The reactions of the mainland must be noticed, and things must be weighed in light of the desires of the Taiwan authorities. Therefore, the "new mainland policy" is still far from the desire of the people on both sides for normal contacts and exchanges, and it is still far from being a policy that shows "foresight" and that is "answerable to the state, to history, and to the nation."

The KMT congress will not make any major breakthroughs in dealing with such motions as the "motion on ideology and doctrines," the "motion on the party program and policies," the "motion on reforming party affairs," and the "motion on revising the party constitution." It will not play any role in "carrying forward tradition and blazing a new trail" and "making a historic creation" as some KMT propaganda tools have boasted.

ACFTC Official Urges Improved Relations
OW3006052988 Beijing XINHUA in English
1508 GMT 29 Jun 88

[Text] Beijing, June 29 (XINHUA)—A leading member of the All-China Federation of Taiwan Compatriots

(ACFTC) has welcomed the decision of the Taiwan authorities to allow Taiwanese residing on the mainland to go to Taiwan for funerals of their deceased relatives.

But the decision doesn't go far enough, the member said in an interview with XINHUA.

"It is good for promoting exchanges between people on both sides of the Taiwan Strait, but why should people only be allowed to meet when someone has died?" he asked.

He said that for aged Taiwan natives living on the mainland and their parents in Taiwan, there is not much time left.

"Humanitarianism should be observed," he said, "why should obstacles be placed on an unequal basis and regional restrictions imposed?"

He said he hoped the Taiwan media and mass organizations would urge the Kuomintang leaders to follow the will of the people and help Taiwan compatriots on the mainland realize their dreams of being able to visit home.

Cabinet Secretary General Offers To Resign
HK2906101288 Hong Kong AFP in English
0948 GMT 29 Jun 88

[Text] Taipei, June 29 (AFP)—Taiwan cabinet secretary-general Wang Chang-ching offered to resign Wednesday over payments he admitted making to a legislator who has accused Premier Yu Kuo-hwa of having had an extramarital affair.

Legislator Wu Yung-hsiung caused an uproar in parliament on Tuesday when he said that Mr. Wang had given him 326,200 Taiwan dollars (11,326 U.S.) in April to stop his attacks on the premier.

Mr. Wang said Wednesday that he would resign if the payments tarnished the image of the 74-year-old prime minister.

Mr. Wu, a member of the ruling Kuomintang (KMT), has said that the money was given to him by Mr. Wang but that he had returned it on Monday. Mr. Wu charged the premier and secretary-general with trying to bribe him to make him stop talking about Mr. Yu's alleged extramarital affairs.

The premier has denied knowledge of the payments and Mr. Wang said he had not told Mr. Yu about the money because it was "purely personal financial assistance to someone I had thought of as a friend."

Mr. Wang told reporters he had given the money to Mr. Wu at his request to finance the KMT legislator's trips to Japan, the United States and Europe. Mr. Wang said the money, withdrawn from his wife's bank account, was picked up by Mr. Wu on April 20 before the legislator embarked on a 36-day trip.

"I would be insulting the parliament if I believed that much money could make a legislator do things to serve my purpose," he said.

Mr. Wang told reporters Wednesday he would consider resigning if the issue "created embarrassment to the premier."

Mr. Wu asked the premier four times last year to clear up reports he had an alleged affair with a bar girl 12 years ago but his demand was ignored.

Mr. Yu told parliament after Mr. Wu's allegations last year: "I did not go to places where I should not go."

Meanwhile, Mr. Wu was ousted by a group of liberal legislators Wednesday.

"His wild behavior had hurt our image and impaired the dignity of parliament," group leader Huang Chu-wen said.

The head of KMT legislators said Wednesday that the party would revoke Mr. Wu's party membership if his bribery accusations proved false.

Opposition Party Dismisses Cabinet Invitation
HK2906060988 Hong Kong HONGKONG STANDARD
in English 29 Jun 88 p 6

[By Chan Wai-fong]

[Text] Taiwan's opposition Democratic Progressive Party (DPP) yesterday slammed Premier Yu Kuo-hwa's invitation to non-Kuomintang (KMT) politicians to the cabinet as "useless" and merely decorative. But the DPP will not stop its members from joining the cabinet, said Mr Yao Chia-wen, the DPP chairman.

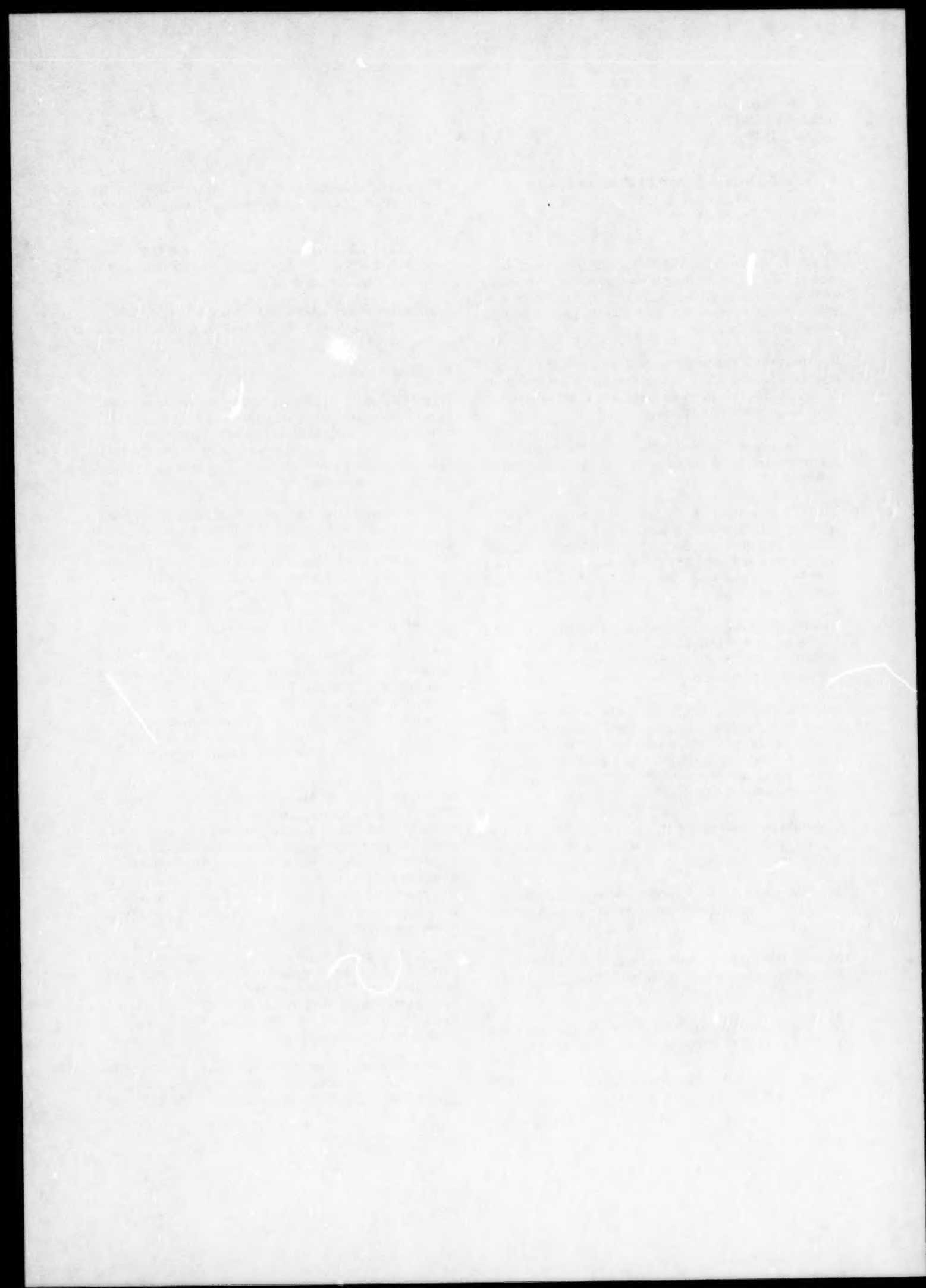
On Monday, Taiwan's mass-circulation newspaper UNITED DAILY published an interview with Premier Yu who was quoted as saying that he was thinking of inviting non-hostile opposition politicians to join the party after the 13th congress next month. The move comes as Taiwan's opposition and KMT liberals are calling for a major cabinet reshuffle and a younger, dynamic premier to replace the 74-year-old Mr Yu.

Mr Yao said he was not surprised the KMT would include non-KMT politicians in the cabinet since it already had a "tradition" in doing so. At present, Mr Henry Kao Yu-shu, a minister of the cabinet, and Mr Robert C T Lee, a member of the Examination Yuan, are not KMT members. It is understood that Mr Kao, who is in his 70s, will soon have to retire and a replacement is imminent.

Mr Yu was quoted as saying non-KMT politicians who are not hostile to the Government and devoted to national development and people's well-being could be invited to join the government. He added that if the DPP could secure majority votes in provincial elections, he would have to invite a DPP member to be governor of the provincial government. But this will have to wait until the revision of civic organisation laws is ready, to allow new political parties.

The DPP is still technically illegal although it participated in the 1986 congressional elections and DPP legislators have been very active in pushing for parliamentary reforms. Inevitably, the DPP's attitude towards the KMT is one of hostility and the KMT has been responding very cautiously.

"Our main interest is reforms in the political system and policy. Politics in modern times is on reforms rather than one or two seats in the parliament," Mr Yao said.



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